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# The American Economic Review

VOLUME VIII, NO. 4

DECEMBER, 1918

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# The American Economic Review

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## DEPENDENCY INDEX OF NEW YORK CITY, 1914-1917<sup>1</sup>

In July of 1917 the writer was invited by the Commissioner of Public Charities of the City of New York, Mr. John A. Kingsbury, to organize and to assume the duties of director of a new bureau within the department, to be known as the Bureau of Social Statistics. The functions of the new bureau (as far as known, the first municipal bureau of social statistics in this country or anywhere else) were in a general way outlined to cover the study of: (1) the extent of destitution and dependency in the city; (2) the social causes of such dependency; (3) the efficiency of the activity of the department itself as well as the numerous private agencies for the relief of destitution; (4) possible improvements in care of dependents; and (5) methods of prevention of destitution in so far as such methods are available to the progressive government of a municipality.

The field for constructive work on somewhat original lines thus opened to the new bureau looked promising. Unfortunately the experiment proved to be a very short one. Though organized under the municipal department the bureau was supported out of private funds and had no legal existence. The collapse of the Mitchel administration therefore automatically wiped out the Bureau of Social Statistics. Of the various investigations undertaken by the bureau during its short existence, this study of the "dependency index" was the only one near completion. The original intention was to develop a regular monthly publication. Though the first issue was completed a month or two before the bureau was abolished, the certainty as to its ultimate fate seemed to make its publication useless.

<sup>1</sup> The writer wishes to acknowledge his great obligation to the Deputy Commissioner of Charities, Wm. J. Dogherty, without whose ready coöperation the preparation of the index would never even have been undertaken, particularly to Mr. B. B. Burritt, Miss J. C. Colcord, Dr. J. J. Riley, and Mr. A. Oseroff of the four largest charity and relief agencies in New York; and also to Miss Nadine Stein, his assistant during the brief existence of the Bureau of Social Statistics, whose energy and tact were largely responsible for the prompt gathering of the necessary data, and who continued to gather missing data for some time after the Bureau of Social Statistics had been discontinued.

Nevertheless, the material is presented herewith in its incomplete form for the benefit of American students of social science, because it is thought that the very concept of a "dependency index," together with the method of its preparation, possesses some value and may prove useful as a suggestion either to governmental bodies or to private investigators in other communities. It was hoped that the success of the dependency index for New York City might lead charities departments of other cities and states to follow, and thus eventually a national index of dependency would be developed. This hope has been somewhat suspended, but not yet altogether destroyed.

It is scarcely necessary to argue that the amount of actual dependency (*i.e.*, the extreme condition of economic need and distress which culminates in an appeal of an individual or family for public or private aid in some form or another) is a matter of deep concern not only to the existing philanthropic agencies but to the community at large. Yet accurate statistical information concerning this problem is not readily available, perhaps for the obvious reason that it is comparatively difficult to get. Moreover, popular opinion to the contrary, instead of a permanent pauper class we are dealing with a very fluid, changing body. Outside of professional pauperism, dependency is a condition and not a quality. Studies made at any one time do not therefore retain their accuracy for any length of time. Dependency rises and falls with the general level of economic prosperity. Some method of quickly measuring these rises and falls would therefore seem to have considerable value from several points of view—for practical reasons, so as to facilitate an adjustment of the relief work of any intelligent community to its needs, and also as a very useful indication of general economic conditions.

With these objects in view the construction of an "index of dependency" for New York City was undertaken. It is scarcely necessary at this place to develop the general theory of statistical indices, for not only every serious student of social science but even many progressive business men are quite familiar with indices, at least in the form of a finished product. Indices of various economic conditions and business activities have become a recognized and important branch of statistics. Indices of prices, wages, employment, bank clearings, crop conditions, and so forth, are being prepared and currently published by government bureaus, commercial organizations, and private statistical agencies.

As far as known, this is the first effort to publish an index of dependency. However, the larger relief agencies in New York City for some time have felt the necessity for such information, and several of them have for the last three or four years been interchanging statistical information concerning their own activities for the purpose of getting a more accurate picture of conditions in the city than the statistics of any one single agency can furnish.

An ideal monthly index of dependency and relief-seeking would have required a complete monthly census of all the relief-giving agencies in the city. Manifestly this is a very difficult and practically impossible undertaking. Not only is a good deal of charitable relief given through individual efforts, but even of the charity organizations the majority are small and keep no systematic records; or, if they do keep records, they are not comparable with those of other organizations because of lack of general standards of statistics of relief. As was pointed out by one authoritative worker in the field, the amount of relief given by the smaller organizations is frequently determined by available funds rather than by the amount of need existing in the community. The purpose of this index was a more modest one, however. It was intended to measure not the total amount of existing dependency or of relief given, but only the fluctuations in these activities and, what is equally important, the fluctuations of demand for such relief. For this purpose it was not imperative that the data be complete so long as they were sufficiently representative.

The symptoms of dependency and, even more so, the symptoms of economic distress leading up towards dependency are many and varied, especially in a city of such complex social relations as New York. The general relief work of the large charity agencies is a very important though not an exclusive symptom. An effort was therefore made to obtain statistical measurements of several such manifestations. A hasty review of the field quickly disclosed the fact that it would be impossible to choose such data with any definite plan in view except that of availability. In other words, it was necessary to take such symptoms as could be measured, and had been measured, since at no time were sufficient funds available to undertake independent measurements. Many manifestations of economic need and dependency may not have become subjects of statistical measurements; and in some cases measurements may have existed but remained undiscovered; in

others it proved impossible to obtain data which were known to exist.

It must be remembered that only for a small proportion of the group of facts are municipal statistics available. The practical problem that presented itself was to obtain the willing co-operation of as many voluntary agencies as possible in addition to all available public sources.

I wonder how many even professional statisticians realize what an enormous amount of interesting and useful statistical information goes to waste for lack of finding its way into the accepted scientific channels. Thousands of organizations existing upon private contributions are forced to render some sort of reports, and frequently these contain data which if brought together would be of very great scientific value. In the absence of so much as a beginning of municipal statistics, even the discovery of such material presented a difficult field for pioneer work. The agents who gathered the information for the bureau frequently reported that a state of real panic developed out of the very first inquiry. It was sometimes impossible to dispel the impression that the inquiry was made not so much for purposes of eliciting information as with the secret intention of controlling, regulating, or prohibiting something that had been freely done heretofore.

In addition there was an even more serious difficulty because of the character of the plans formulated by the bureau. What was intended was not a profound, one-time study, but a continuous index; one which, to be of practical use, would need to be at least as up to date as is, for example, the employment index of the State of New York or the price and wage indices of the United States Bureau of Labor Statistics. It was therefore not sufficient to obtain the published records of the past. An effort was made to obtain the current data for the unexpired year and also a promise of prompt monthly coöperation in the future, as the index was to be published at monthly intervals. In several cases this proved to be an unsurmountable obstacle either because such coöperation was refused or because there were no facilities for compilation of monthly figures. In one case the administrative head of a most important social agency had very pronounced statistical views as to the inaccuracy of the method here described, was convinced that the results obtained would be misleading, and was unwilling to trust the judgment of a professional statistician. This of course is but an illustration of one of the most serious

difficulties in the path of scientific statistics, the unwillingness of the layman to admit that statistics is an independent scientific discipline, in which some deference is due to the opinion of the trained man as against that of an amateur. Finally, a serious limitation upon the volume of available material developed from the necessity of constructing the index for at least some period back.

If the problem were only one of enlisting the coöperation of private agencies in the future, a much larger variety of data might have been brought together, because on the whole the propaganda conducted by the agents of the bureau met with a very cordial response, and many promises were made of regular reports. Thus a material improvement of relief statistics in New York City would have been a by-product of the dependency index. But, in initiating this periodical publication of a monthly index, to be gathered at considerable cost of public funds, there was an excusable desire to make the index both valuable and interesting from the very beginning. That required that the very first issue should offer a dynamic picture instead of the figures for one month only. It was quite evident that only in this way could the index command public attention from the very first day of its existence.

After some deliberation it was decided to work the index back to January, 1914, which covered the entire period of the Mitchel administration and put the beginning of the index back sufficiently to include the entire period of the European war. Moreover, many of the data selected did not go far back of that date. With all of these qualifications to be considered, it was nevertheless possible to present fairly complete statistical material in reference to the following phenomena of social life in New York City: (1) general family relief or case work of charity organization societies; (2) care of homeless men and women; (3) operations of the municipal lodging house; (4) number of free burials; (5) commitment of children to institutions by the Department of Public Charities; (6) payments to private hospitals for dependent patients treated by them; (7) amount of work performed by dispensaries; and (8) number of small loans.

1. *Family case work*.—Under this caption two series of facts are presented:

a. Number of new cases (or families) added to the files of the relief agencies during the month.



b. Total number of cases (or families) under care of such agencies at the end of the month.

For this purpose the statistical records of the following private agencies have been utilized: New York Association for Improvement of the Condition of the Poor; Charity Organization Society; Brooklyn Bureau of Charities; and United Hebrew Charities. Several other agencies had promised their coöperation in the future, so that it was hoped that this index would become more representative from time to time.

It is difficult to say how large a proportion of outdoor relief or family aid these four largest agencies represent, but various estimates seem to indicate that about one half of the work is done by the large agencies, and, in any case, it is admitted that their combined figures are sufficiently representative. The fluctuations and not the actual figures are of greatest importance. A criticism has been suggested, that these data, combining figures of the four large organizations, may contain a good deal of duplication. It is possible that in some instances families succeed in obtaining aid from more than one agency, and even more frequently they may make efforts in that direction, though probably such duplication is less frequent with modern organized charity than with similar organizations conducted by volunteer workers. But since such duplications are more frequent in times of greater need, they do not destroy the usefulness of the data for the purpose of constructing an index.

Considerable thought was spent upon the problem as to whether the number of new cases arising during the month or the number of cases under care at the end of the month were more significant for the purpose of this index. When the arguments for or against either one of the two factors were carefully weighed, it seemed obvious that neither the number of new cases alone nor the total number of cases under care alone gave as good a picture of the situation as the combination of both groups of facts. When conditions in the city tend to become worse, this will manifest itself not only in the number of new cases applying for relief but in the persistence with which the older cases remain under care of relief agencies. Similarly, an improvement in conditions will show not only in the reduction of the number of cases arising but also in the speed of economic recovery, and, therefore, the reduction of the total number of cases under care. The cumulative effect of a period of either exceptional stress or exceptional pros-

perity will show itself in a gradual increase (or decrease) of the total cases aided, perhaps for some time after the period itself has passed. In other words, if one may be permitted to speak in medical terms, not only the number of cases of social disease developing but also the duration of such cases is a significant fact. The number of cases arising is necessarily subject to greater fluctuations than the total number of cases under care, as is also true, for instance, of all statistics of epidemics, and the true index may be assumed to lie somewhere between the two curves indicating the two phenomena.

2. *Homeless men and women.* One of the most important agencies dealing with this group of dependents in New York City is the Joint Application Bureau, maintained jointly by the Charity Organization Society and the New York Association for Improving the Condition of the Poor, and caring for the homeless applicants of both these societies. Its records permitted of a comparison for a series of years. For this institution are shown:

a. The total number of applications, whether any aid is given or not.

b. The total number of persons under care at the end of the month.

The reasons for using both these indices are identical with those stated in connection with the statistics of the family care agencies. The number of applications for aid, as shown presently, is subject to much more violent fluctuations, as is to be expected, because periods of economic depression affect immediately individuals without any family ties.

3. *The municipal lodging house* is the most important agency for furnishing temporary shelter to homeless men and women. The large increase in demand for such lodging during periods of unemployment is the best known symptom of economic distress. The records of the Municipal Lodging House for a series of years permitted of a comparison of the aggregate registration in which account is taken of the total number of night's lodgings provided. The net registration in which each name appears only once a month was also available at the time when the data were gathered, though only for a limited period back. It was intended to make use of these later data as well in the later issues of the index, but in the present study only the aggregate registration figures are utilized.

4. *Number of free funerals.* Few social facts bear such grue-

some testimony to total destitution as does the burying of the dead at public expense, or at the expense of public charities. The City of New York buries annually large numbers of homeless men and women. In addition to this, several charitable organizations for the free burial of the dead were found among certain foreign elements of the population. It was possible to obtain statistical data as to the number of bodies interned only for three organizations, all of them Jewish: The Hebrew Free Burial Association, the Hebrew Burial Society of Brooklyn, and the Austrian Hebrew Free Burial Association. In the table the data for these organizations are combined with data for the free burials by the municipal authorities.

5. *Commitment of children.* It seems unnecessary to argue that the commitment of children to an institution, or placement in a foster home, or even the application for such commitment is a very serious symptom of social mal-adjustment. A great many different factors operate to produce such cases, some of a moral or mental character; on the whole it is probably true, however, that the economic factor is usually the most important contributing cause. Under this caption two sets of data are presented:

- a. The number of children submitted for commitment.
- b. The total number of children admitted to the institutions at the city's expense.

Inasmuch as children have, until recently, been admitted in several different ways besides commitment through the Department of Public Charities or through courts, the two columns are not entirely comparable. Either one, however, is significant of general conditions in the city, as is indicated by the fact that they fluctuate in harmony.

Since the organization of the Bureau of Social Investigations within the Department of Public Charities in 1915, the cases of all families from which come applications for commitment of children are investigated by that bureau. Careful records month by month are not available back of January 1, 1916. At present only about 25 per cent of the applications are actually approved by the Bureau of Social Investigation, as in some cases better provision made, and in others the evidence found is not convincing.

6. *Private hospital cases paid for out of the public funds.* When a hospital patient is unable to pay the private hospital for

his treatment and care, an application is made by such hospital to the Department of Public Charities for payment out of public funds. Only a portion of such cases is accepted by the Department of Public Charities after an investigation by the Bureau of Social Investigations. Such approvals constitute usually from 60 to 70 per cent of the applications.

Both the number of applications made by private hospitals and the number of cases approved for payment are shown in the tables. It would appear that the number of patients in hospitals might be more dependent upon general health conditions than economic conditions and would therefore be irrelevant to the purpose of this index. While this is true to some extent, there must be some relation between the ability of the people to pay for their hospital treatment and the number of those on whose behalf an application is made to the public funds. In general it will be found that there is a certain correspondence between this group of facts and others here presented.

While, as was stated above, payment is disapproved in a considerable proportion of cases as a result of investigations, in the majority of such cases no payments are made by the sick or their relatives anyway and they remain charges of private rather than public relief.

The number of applications is, therefore, even a more sensitive index than the number of cases approved, which may be influenced by a changing attitude of the investigating bureau. It was thought best, therefore, to present both sorts of data.

7. *Dispensary work.* Some of the qualifications stated above in connection with hospital statistics also apply to the amount of work done in dispensaries. It is true that the masses in New York City have become so used to dispensary medical aid that few of them stop to consider it a form of charitable relief; nevertheless, the free dispensaries as well as those charging a nominal fee constitute an important relief agency whose work is influenced not only by health conditions but also by general economic conditions in the city. Workmen out of work, or earning insufficient wages, or pressed by the high cost of living, more readily turn from the private physician to a public dispensary.

The number of dispensaries in New York City is over 100 and complete data for all of them would have required such a large outlay of labor that timely publication would have become impossible. It was therefore thought sufficient to obtain data from

some of the larger dispensaries which furnish approximately three fourths of the relief in the City of New York. The total amount of dispensary work in New York City, according to an investigation made by the author on behalf of the American Medical Association in 1915, is over 4,000,000 visits per annum, or some 350,000 visits per month on an average. The dispensaries for which figures during 1915 are here shown had recorded 935,000 new patients and over 3,000,000 visits.

Under the heading of "Dispensaries" two series of figures are presented:

- a. The number of new patients.
- b. The total number of visits made.

This was done because of considerations similar to those advanced in other cases discussed above. It is at least possible that under conditions of economic distress the "dispensary habit" will become more tenacious, or that health conditions will deteriorate, requiring more visits per case. In addition there were technical statistical reasons for the curve selected. The definition of a "new patient" as well as "visit" in different institutions differed to such an extent that it was felt that both series together would perhaps present a more accurate index of the fluctuations in the volume of dispensary work than either one separately.

8. *Small loans.* A loan is obviously not as serious a symptom of economic distress as an application for public relief. But when a loan is made exclusively for consumption purposes (as most small loans are) rather than for commercial purposes, it is perhaps the first symptom of lack of balance between income and expenditure, which lies back of most distress. While many such small loans may be made for purposes of wasteful spending, it would be wrong to assume that most of them have the anti-social purpose, and even in these cases the small loans may become a cause of eventual dependency.

The bureau was able to obtain the data in regard to only a few institutions:

- a. The Chattel Loan Society of New York advances small amounts, from \$20 to \$200, on personal property, mainly household furniture, secured by chattel mortgage. This is a non-commercial agency and loans are not made unless there is real need. In any case chattel loans in their very nature are seldom contracted unless under pressure of severe economic necessity. Both the number of applications for loans and number of loans made



are given. The decision to grant a loan depends not only upon the existence of a need but also upon the presence of sufficient security. The proportion between the two to an extent depends upon the policy and resources of the society, which was stated by its secretary to have become somewhat more liberal within the last year or two, showing an increase in the percentage of loans granted to applications made.

b. The granting of free loans, without any charge for interest, and often without any further security than a guarantee of two or three citizens, is a peculiar Jewish form of charitable relief, as is the free burial of the dead. Unfortunately this work is done largely through very small organizations with poor records, if any. It was possible to obtain data only from two organizations of this type, the Hebrew Free Loan Society (of Manhattan) and the Brooklyn Hebrew Free Loan Society.

#### *Basis for Index*

For few of the manifestations of destitution and dependency treated are the statistical data presented complete. The fluctuations are more significant than the actual numbers and these fluctuations can therefore better be expressed in the form of an index.

The question of proper selection of a base period, which should be designated as 100 in computation of an index, presented serious difficulties. There is no one generally accepted principle for guidance in selecting a base period when constructing any index number. In some cases an effort is made to select the average for a long series of years as a base, with the idea that such average approaches the normal and that deviations from that average to some extent present the abnormal condition. Thus in the well known index of wages and prices published by the United States Bureau of Labor Statistics, the average prices between 1890 and 1899 had been taken as the base for many years, in fact up to 1912. Later changes in prices and wages have tended in one direction and the usefulness of the base as representing the norm was therefore considerably impaired. In the opinion of the well known student of indices, Professor Wesley C. Mitchell, "the period chosen as base should be that period with which accurate comparisons are most significant for the purpose in hand. Probably most users of general purpose index numbers prefer to make other comparisons with recent dates."<sup>2</sup>

<sup>2</sup> Bulletin U. S. Bureau of Labor, No. 173, p. 36.

If data were available, the selection of an average for several years back as a base would appear more desirable because the last few years include very wide fluctuations, such as periods of extreme unemployment in the winters of 1913-1915, and periods of high industrial activity for the last year and a half. Some statistical series are given in the table beginning with January, 1914; and, were data for the entire period available for all the facts studied, then the average of 1914 to 1917 would serve as a convenient base. Since, however, some of the statistical data did not run back of January, 1916, and for others data for 1917 were not complete, the best base for the present appeared to be the monthly average for the year 1916, which is the only year for which all the series are complete. This results in very high index numbers for some of the facts for 1914 and 1915. Of course no one familiar with the economic conditions in New York City would claim that 1916 was a normal, typical year. For the benefit of the professional statistician it must therefore be emphasized here that the selection of 1916 as a base was intended to be temporary only. As a matter of fact, the computation of the indices was begun when the table was very much less complete than it is at present, and the arguments against using the triennial monthly average 1914-1916 as a base were stronger than they are at present.

*Combination of the Various Indices into One General Index of  
Dependency*

It has already been pointed out that a great variety of social facts are presented in the tables. The only principle relied upon in the selection besides the availability of material was that in some way they should reflect conditions of economic need. An inspection of the table will demonstrate that while they all seem to show the general improvement in conditions in 1916 and 1917, and most of these facts show also the same annual cycle of fluctuations, nevertheless the range of such fluctuations for the different facts is not at all uniform. The most difficult problem from a technical statistical point of view was how to combine the various indices into one general index of dependency. In other words, the problem was how much weight to give to each series of facts or to each index in constructing the general index. Several leading statisticians were consulted and most of them inclined in favor of one of the following two alternatives.

1. Not to construct any general index at all, but to stop with the presentation of the indices for the separate groups of facts, leaving it to the individual reader to take the next step if he so desire.

2. To obtain the general dependency index by a simple average of all the indices obtained, since there is no basis of determining the comparative weight to be given to those separate indices. This method to be used provided there are enough of those indices to keep the average of any one index from obtaining undue prominence.

After very careful consideration it was decided to follow the second plan, and to present at least a tentative index of dependency, reserving the right to recompute this index as new groups of facts might be added. Such an index being tentative only, should not be subject to too severe a test of accuracy, but it is believed that in a general way it does express the sum total of changes in amount of dependency in the city, or at least the general trend of these changes, better than would any one index. The fact that the range of fluctuations of the different indices varies so much, which may be brought forth in criticism of the combined index, can, on reflection, be easily shown to be the strongest argument in its favor. The unexpected demise of the bureau leaves, unfortunately, no opportunity to widen and improve this general index. Too much emphasis cannot be placed upon this statement that both the methods described above and the conclusions which will be drawn presently are tentative only. It is believed, nevertheless, that the general plan which has been here outlined may be followed by other students, in New York City or in other cities, to better advantage.

#### *Analysis of Table*

In Table 1 opposite page 726 are given the 15 series of statistical data with their corresponding indices on a base of the monthly average for 1916 as 100. Though the conclusions to be derived from this table are fairly self-evident, a brief discussion of the most significant indications presented by these data may be useful, both as to conditions in New York City during the period covered, and as to the broader problems with which they deal.

1. *Family care.* Taking the annual averages there has been a constant and marked reduction in the number of new cases requiring aid, the average for 1914 being 196.5; for 1915, 185.7;

for 1916, 100; and the reduction continues during 1917 up to the end of September. The slight increase during the latter months of 1917 is explained by the annual cycle, and the average index for 1917 is the lowest of the four years, being only 84.6.

The fluctuations of the total number of cases under care have not been so marked, while the numbers themselves are very much larger. In fact the average annual index for 1915 (145.1) is even larger than that for 1914 (126.8). This is easily explained on closer inspection of the table by the persistence under care during the earlier months of 1915 of the larger number of families which first came in for relief towards the close of 1914.

A study of the monthly indices for the entire period shows that they are subject to two strong tendencies. One is an annual fluctuation, or what is technically called an annual cycle, the number of cases rising in the winter and falling in the summer. This is true both of the number of new cases as well as of the total number of cases under care, though it is much more marked in the former than in the latter. This problem of annual cycles will be discussed more fully presently.

The index of new cases rose highest in December, 1914, during the well known period of depression which followed the beginning of the European war, namely to 398.4. The highest peak in the index of total number of cases under care has been reached in March, 1915, namely, 202.9. Remembering the tendency towards annual cycles, the movement of the curve downward since the beginning of 1915 has been persistent and very marked. Both for the number of new cases and total number of cases under care the figures for September, 1917, are the lowest on record for the period covered by the table.

The number of cases of general family relief evidently is a very sensitive index of the fluctuations in the amount of destitution and dependency in a modern American community.

2. *Homeless men and women.* As was to be expected, statistics both of the Joint Application Bureau and of the Municipal Lodging House (both being institutions dealing with homeless men and women, though granting different forms of aid) show an even higher range of fluctuations. On the same basis of 1916 as 100, the applications of the Joint Bureau rise as high as 861.5 in January, 1914, and again almost as high (849.1) in December, 1914. The total number of cases under care shows the highest peak in the winter of 1914-1915 with an index of 622.2 for January, 1915.

TABLE 1.—MONTHLY FLUCTUATIONS OF VARIOUS SYMPTOMS OF DEPENDENCY IN NEW YORK CITY. (\*DATA FOR ONE SMALL BURIAL SOCIETY NOT AVAILABLE; DISCONTINUED ACTIVITY)

	Family relief (four agencies)				Homeless men and women (Joint Application Bureau)				Free lodgings (Municipal Lodging House)		Dispensary cases				Hospital cases paid for by Department of Public Charities				Free burials (Morgue & Free Burial Societies)		Cor Dep	Nut child appl
	Number of new cases	Index	Number of cases under care	Index	Number of applications	Index	Number of cases under care	Index	Aggregate registration	Index	Number of new patients	Index	Number of visits	Index	Number of applications	Index	Number of cases paid for	Index	Number of burials	Index		
1914, Jan.	2,927	225.7	10,142	123.4	2,929	861.5	754	299.2	50,012	530.7	75,306	107.5	226,978	98.2					551	83.1		
Feb.	2,457	189.4	10,882	132.4	1,887	555.0	734	291.3	46,829	496.9	60,232	86.0	193,917	83.9					529	79.8		
March	2,470	190.4	11,643	141.6	1,951	573.8	529	209.9	53,718	570.1	75,135	107.3	237,519	102.8					743	112.1		
April	2,010	155.0	11,241	136.8	1,587	466.8	759	301.2	44,706	474.4	77,425	110.6	239,872	103.8					714	107.7		
May	2,100	169.9	10,422	126.8	1,082	318.2	387	153.6	21,475	229.9	86,266	123.2	258,598	111.9					656	98.8		
June	2,239	172.6	10,075	122.6	987	290.3	404	160.3	12,524	132.9	80,692	115.2	249,246	107.8					635	95.8		
July	2,297	177.1	10,104	123.9	1,114	327.6	379	150.4	12,667	134.4	79,657	113.8	239,913	103.8					531	80.1		
Aug.	1,917	147.8	9,281	112.9	1,086	319.4	329	130.6	12,779	135.6	81,509	116.4	241,156	104.3					666	100.5		
Sept.	1,816	140.0	9,289	113.0	1,289	379.6	391	159.1	15,458	164.0	70,630	100.9	221,691	95.9					592	89.3		
Oct.	2,285	176.2	9,648	117.4	1,828	537.6	480	190.5	17,771	188.6	77,319	110.4	240,104	103.9					506	76.3		
Nov.	2,898	223.6	10,245	124.6	2,438	717.0	736	292.1	23,224	246.5	66,942	95.6	217,687	94.2					477	71.9		
Dec.	5,168	398.4	12,108	147.3	2,887	849.1	1,178	467.5	34,378	364.8	66,496	94.9	215,384	93.2					595	89.7		
Total	30,584	—	125,080	—	21,065	—	7,060	—	345,537	—	897,609	—	2,782,060	—					7,195	—		
Av. per mo.	2,549	196.5	10,423	126.8	1,755	516.2	588	233.3	28,795	305.6	74,800	106.9	231,838	103.3					600	90.5		
1915, Jan.	4,406	339.7	14,495	176.3	2,614	768.8	1,668	622.2	61,947	657.4	79,081	113.0	242,780	105.0					618	93.2		
Feb.	4,008	309.0	15,337	186.6	2,611	767.9	970	384.9	45,668	484.6	65,066	93.0	219,528	95.0					535	80.7		
March	3,348	265.0	16,683	202.9	2,210	650.0	946	375.4	48,439	514.0	83,672	117.5	273,465	118.3					671	100.2		
April	2,291	176.6	14,638	178.1	1,329	390.9	751	298.0	34,895	370.3	87,340	124.7	273,905	118.5					653	98.5		
May	2,066	150.8	12,733	154.9	1,157	340.3	371	147.2	39,913	317.4	85,331	107.6	271,621	117.5					863	130.2		
June	2,113	162.9	11,983	145.8	770	226.5	248	98.4	19,155	203.3	88,080	125.8	277,329	120.0					707	106.6		
July	1,830	141.1	10,550	128.3	728	212.6	279	110.7	11,338	120.8	81,560	116.5	258,689	111.9					710	107.1		
Aug.	1,654	127.5	10,063	122.4	744	218.8	269	106.7	10,081	107.0	81,490	116.4	253,229	109.7					739	111.5		
Sept.	1,497	115.4	9,433	114.8	515	151.5	270	107.1	9,308	98.8	72,163	103.1	230,430	99.7					624	94.1		
Oct.	1,632	125.8	9,031	109.9	587	172.6	220	87.3	13,193	140.0	78,161	111.6	247,181	106.9					641	96.7		
Nov.	1,790	138.0	9,014	109.1	643	189.1	220	87.3	14,889	158.0	69,955	100.0	233,889	101.2					594	85.1		
Dec.	2,236	172.4	9,145	111.3	663	195.0	215	85.3	17,490	185.6	63,757	91.0	218,814	94.7					636	95.9		
Total	28,959	—	143,105	—	14,566	—	6,327	—	316,366	—	935,656	—	3,000,858	—	66,821	—	46,988	—	7,961	—	17.4	
Av. per mo.	2,416	185.7	11,925	145.1	1,214	357.0	527	209.1	26,364	279.8	77,971	111.3	250,071	108.2	5,565	107.8	3,916	105.5	672	101.4	1.4	
1916, Jan.	1,868	144.0	9,431	114.7	586	172.3	328	130.2	19,000	201.7	76,397	109.1	236,010	102.2	4,951	95.9	3,475	93.6	673	101.5	1.3	
Feb.	1,512	116.6	9,448	114.9	455	133.8	279	110.7	14,114	149.8	60,357	86.2	208,301	90.1	5,403	104.7	3,893	104.9	695	105.0	1.3	
March	1,586	122.3	9,209	112.0	432	127.1	348	130.2	12,466	132.3	72,156	103.1	246,296	106.5	5,215	101.1	3,826	103.1	548	82.8	1.3	
April	1,102	84.2	8,887	108.1	331	97.3	256	101.6	9,833	104.3	70,733	101.0	236,067	102.1	4,987	96.6	3,616	97.5	718	108.3	1.3	
May	1,208	93.1	8,579	104.4	327	96.2	234	92.9	6,528	69.3	88,707	126.7	274,733	118.9	5,617	108.8	4,053	109.2	800	120.7	1.3	
June	1,149	88.6	8,068	98.2	292	85.9	289	114.7	6,534	69.3	79,117	113.0	256,639	111.0	5,483	106.2	3,855	103.7	876	132.1	1.3	
July	1,048	80.8	7,520	91.5	257	66.8	252	100.0	5,717	60.8	71,193	101.7	224,820	97.3	5,234	101.4	3,815	102.8	526	79.3	1.3	
Aug.	1,053	81.2	7,223	87.9	254	74.7	197	78.2	5,633	59.8	70,522	100.7	225,770	97.7	5,721	110.8	4,215	113.6	680	102.6	1.3	
Sept.	841	68.8	6,944	83.5	252	74.1	161	68.9	6,865	72.8	62,765	89.6	208,257	90.1	4,539	88.0	3,219	86.7	676	102.0	1.3	
Oct.	1,210	93.3	6,751	82.1	261	76.8	187	74.2	7,828	83.1	65,761	93.9	221,426	95.8	5,161	100.0	3,635	97.9	588	88.7	1.3	
Nov.	1,342	103.4	7,734	94.4	315	92.9	245	97.2	8,206	87.1	62,910	89.8	223,115	96.5	4,612	89.4	3,352	98.3	542	81.7	1.3	
Dec.	1,650	127.2	8,847	107.6	345	101.5	247	98.0	10,347	109.8	59,664	85.2	212,249	91.8	5,003	96.8	3,583	96.5	634	95.6	1.3	
Total	15,569	—	98,641	—	4,077	—	3,023	—	113,071	—	840,282	—	2,773,683	—	61,921	—	44,537	—	7,957	—	14.4	
Av. per mo.	1,297	100.0	8,220	100.0	340	100.0	252	100.0	9,423	100.0	70,023	100.0	231,140	100.0	5,160	100.0	3,711	100.0	663	100.0	1.4	
1917, Jan.	1,425	109.9	9,184	111.7	359	105.6	297	117.8	11,018	116.9	76,625	109.4	247,396	107.0	6,011	116.5	3,323	89.5	620	93.6	1.4	
Feb.	1,215	93.7	9,332	113.5	330	97.1	369	146.4	12,107	128.5	58,152	83.1	203,830	88.2	4,805	93.1	2,749	73.8	684	103.2	1.4	
March	1,367	105.4	9,508	115.7	324	95.3	299	118.6	13,113	139.1	71,853	102.6	254,950	110.3	5,270	102.1	2,971	80.1	784	118.2	1.4	
April	1,101	84.9	9,456	115.0	251	73.8	232	92.1	9,286	98.5	70,289	100.4	237,014	102.5	4,705	91.2	2,822	76.0	710	107.1	1.4	
May	1,240	95.6	8,285	100.3	275	80.9	270	107.1	8,528	90.5	81,845	116.9	268,387	111.8	5,107	99.0	2,752	74.2	756	114.0	1.4	
June	1,012	78.0	8,165	99.3	241	70.9	219	86.9	5,684	60.3	75,186	107.3	247,964	107.3	4,835	98.7	2,646	71.3	674	101.7	1.4	
July	852	65.6	7,524	91.5	244	71.8	171	67.8	5,119	54.3	71,205	101.7	229,262	99.2	4,843	93.9	2,712	73.1	520	78.4	1.4	
Aug.	834	64.3	6,562	79.8	199	58.5	162	64.2	4,168	44.8	79,464	113.5	242,172	104.8	5,147	99.7	1,929	52.0	612	77.2	1.4	
Sept.	783	60.4	6,556	79.8	173	50.9	145	57.5	5,400	57.3	63,381	90.5	208,169	90.1	3,225	62.5	2,124	57.2	635	95.8	1.4	
Oct.	1,024	78.9	6,740	82.5	188	55.3	113	44.8	5,351	56.8	67,646	95.2	216,977	93.9	4,298	83.3	2,315	62.4	406	61.2	1.4	
Nov.	1,079	83.2	7,091	86.8	201	59.1	139	55.2	5,787	61.4	62,562	89.4	215,957	93.4	3,853	74.7	2,659	71.6	517	78.1	1.4	
Dec.	1,234	95.1	7,471	91.1	213	62.6	151	59.9	6,844	72.6	51,816	74.0	191,544	82.8	3,939	76.3	2,673	72.0	—	—	1.4	
Total	13,166	—	95,874	—	2,998	—	2,567	—	92,385	—	829,974	—	2,763,622	—	56,038	—	31,675	—	7,621	—	—	
Av. per mo.	1,097	84.6	7,989	97.2	250	73.5	214	84.9	7,699	81.7	70,831	101.1	230,302	99.6	4,670	90.5	2,640	71.1	635	95.8	—	



CITY. (\*DATA FOR ONE SMALL BURIAL SOCIETY NOT AVAILABLE; DISCONTINUED ACTIVITIES TEMP

x	Dispensary cases				Hospital cases paid for by Department of Public Charities				Free burials (Morgue & Free Burial Societies)		Commitment Department
	Number of new patients	Index	Number of visits	Index	Number of applications	Index	Number of cases paid for	Index	Number of burials	Index	Number of children applying
7	75,306	107.5	226,973	98.2					551	83.1	
1	60,232	86.0	193,917	83.9					529	79.8	
1	75,135	107.3	237,519	102.8					743	112.1	
1	77,425	110.6	239,872	103.8					714	107.7	
1	86,266	123.2	258,598	111.9					656	98.8	
1	80,692	115.2	249,246	107.8					635	95.8	
1	79,657	113.8	239,913	103.8					531	80.1	
1	81,509	116.4	241,156	104.3					666	100.5	
1	70,630	100.9	221,691	95.9					592	89.3	
1	77,319	110.4	240,104	103.9					506	76.3	
1	66,942	95.6	217,687	94.2					477	71.9	
1	66,496	94.9	215,384	93.2					595	89.7	
	897,609	—	2,782,060	—					7,195	—	
1	74,800	106.9	231,838	103.3					600	90.5	
1	79,081	113.0	242,780	105.0					618	93.2	
1	65,066	93.0	219,528	95.0					535	80.7	
1	83,672	117.5	273,465	118.3					671	100.2	
1	87,340	124.7	273,905	118.5					653	98.5	
1	85,331	107.6	271,621	117.5					863	130.2	
1	88,080	125.8	277,329	120.0					707	106.6	
1	81,560	116.5	258,689	111.9					710	107.1	
1	81,490	116.4	253,229	109.7					739	111.5	
1	72,163	103.1	230,430	99.7					624	94.1	
1	78,161	111.6	247,181	106.9					641	96.7	
1	69,955	100.0	233,889	101.2					564	85.1	
1	63,757	91.0	218,814	94.7					636	95.9	
	935,656	—	3,000,858	—	66,821	—	46,988		7,961	—	17,441
1	77,971	111.3	250,071	108.2	5,565	107.8	3,916	105.5	672	101.4	1,453
1	76,397	109.1	236,010	102.2	4,951	95.9	3,475	93.6	673	101.5	1,406
1	60,357	86.2	208,301	90.1	5,403	104.7	3,893	104.9	696	105.0	1,233
1	72,166	103.1	246,296	106.5	5,215	101.1	3,826	103.1	548	82.8	1,391
1	70,733	101.0	236,067	102.1	4,987	96.6	3,616	97.5	718	108.3	1,197
1	88,707	126.7	274,733	118.9	5,617	108.8	4,053	109.2	800	120.7	1,464
1	79,117	113.0	256,639	111.0	5,483	106.2	3,855	103.7	876	132.1	1,328
1	71,193	101.7	224,820	97.3	5,234	101.4	3,815	102.8	526	79.3	1,205
1	70,522	100.7	225,770	97.7	5,721	110.8	4,215	113.6	680	102.6	1,298
1	62,765	89.6	208,257	90.1	4,539	88.0	3,219	86.7	676	102.0	1,053
1	65,761	93.9	221,426	95.8	5,161	100.0	3,635	97.9	588	88.7	1,077
1	62,910	89.8	223,115	96.5	4,612	89.4	3,352	98.3	542	81.7	996
1	59,664	85.2	212,249	91.8	5,003	96.8	3,583	96.5	634	95.6	937
	840,282	—	2,773,683	—	61,921	—	44,537	—	7,957	—	14,585
1	70,023	100.0	231,140	100.0	5,160	100.0	3,711	100.0	663	100.0	1,215
1	76,625	109.4	247,396	107.0	6,011	116.5	3,323	89.5	620	93.5	1,293
1	58,152	83.1	203,830	88.2	4,805	93.1	2,749	73.8	684	103.2	1,102
1	71,853	102.6	254,950	110.3	5,270	102.1	2,971	80.1	784	118.2	1,312
1	70,289	100.4	237,014	102.5	4,705	91.2	2,822	76.0	710	107.1	1,300
1	81,845	116.9	268,387	111.8	5,107	99.0	2,752	74.2	756	114.0	1,637
1	75,186	107.3	247,964	107.3	4,835	93.7	2,646	71.3	674	101.7	1,418
1	71,205	101.7	229,262	99.2	4,843	93.9	2,712	73.1	520	78.4	1,604
1	79,464	113.5	242,172	104.8	5,147	99.7	1,929	52.0	803	121.1	1,508
1	63,381	90.5	208,169	90.1	3,225	62.5	2,124	57.2	512	77.2	1,191
1	67,646	95.2	216,977	93.9	4,298	83.3	2,315	62.4	635	95.8	1,238
1	62,562	89.4	215,957	93.4	3,853	74.7	2,659	71.6	406	61.2	1,115
1	51,816	74.0	191,544	82.8	3,939	76.3	2,673	72.0	517	78.1	894
	829,974	—	2,763,622	—	56,038	—	31,675	—	7,621	—	15,612
1	70,831	101.1	230,302	99.6	4,670	90.5	2,640	71.1	635	95.8	1,301

ACTIVITIES TEMPORARILY.)

Commitment of the children by Department of Public Charities				Chattel loans				Free loan societies	
Number of children applying	Index	Number of children admitted	Index	Number of appli- cations	Index	Number of loans granted	Index	Number of loans granted	Index
		863	127.4	489	95.9	215	68.7	2,281	96.1
		859	126.9	389	76.3	176	56.2	2,085	87.9
		1,103	162.9	589	115.5	279	89.1	2,568	108.2
		998	147.4	500	98.0	267	85.3	2,094	88.2
		1,019	150.5	564	110.6	277	88.5	2,104	88.7
		1,198	176.9	590	115.7	251	80.2	2,367	99.7
		1,139	168.2	625	122.5	279	89.1	2,355	99.2
		1,112	164.3	498	97.6	196	62.6	2,205	92.9
		1,029	152.0	501	98.2	198	63.2	2,197	92.6
		1,073	158.5	560	109.8	281	89.8	2,193	92.4
		921	136.1	549	107.6	294	93.9	2,191	92.3
		981	144.9	652	127.8	439	140.2	2,659	112.1
		12,205	—	6,506	—	3,152	—	27,299	—
		1,025	151.4	542	106.3	263	84.0	2,275	95.9
		1,047	154.7	597	117.0	360	115.0	2,541	107.1
		848	125.3	493	96.7	235	75.1	2,216	93.4
		974	143.9	591	115.9	264	84.3	2,990	126.0
		943	139.3	501	98.2	291	93.0	1,963	82.7
		1,025	151.4	501	98.2	269	85.9	2,316	97.6
		986	145.6	575	112.7	280	89.4	2,678	112.9
		907	134.0	597	117.0	348	111.2	2,218	98.5
		836	123.5	502	98.4	294	93.9	2,432	102.5
		833	123.1	463	90.8	231	73.8	1,944	81.9
		812	119.9	568	111.4	326	104.1	2,259	95.2
		731	115.4	492	96.5	308	98.4	2,331	98.2
		830	122.6	533	104.5	373	119.2	2,519	106.1
17,441	—	10,822	—	6,413	—	3,579	—	28,407	—
1,453	119.5	902	133.2	534	104.7	298	95.2	2,367	99.7
1,406	115.7	743	109.7	571	112.0	292	93.3	2,325	98.0
1,233	101.5	693	102.4	474	92.9	241	77.0	2,241	94.4
1,391	114.5	750	110.8	482	94.5	308	98.4	2,798	122.1
1,197	98.5	762	112.6	419	82.1	280	89.4	2,235	94.1
1,464	120.5	844	124.7	498	97.6	289	92.3	2,485	104.7
1,328	109.3	745	110.0	591	115.9	359	114.7	2,620	110.4
1,205	99.2	645	95.3	518	101.6	332	106.1	2,740	94.4
1,298	106.8	545	80.5	561	100.0	321	102.5	2,321	97.9
1,053	86.7	611	90.3	452	88.6	304	96.1	2,486	104.8
1,077	88.6	642	94.8	478	93.7	306	97.8	1,845	77.8
996	82.0	615	90.8	526	103.1	320	102.2	2,488	104.9
937	77.1	523	77.3	552	108.2	450	129.4	2,396	110.0
14,585	—	8,118	—	6,122	—	3,757	—	28,480	—
1,215	100.0	677	100.0	510	100.0	313	100.0	2,373	100.0
1,293	106.4	669	98.8	545	106.9	314	100.3	2,576	108.6
1,102	90.7	603	89.1	417	81.8	243	77.6	2,105	88.7
1,312	108.0	671	99.1	483	94.7	338	108.0	2,753	111.4
1,300	107.0	643	94.9	465	91.2	316	100.9	1,932	81.4
1,637	134.7	699	102.5	525	112.9	281	89.8	2,443	102.9
1,418	116.7	699	102.5	533	104.5	361	115.3	2,341	98.6
1,604	132.0	856	126.4	538	105.5	401	128.1	2,163	91.1
1,508	124.0	668	98.7	479	93.9	301	96.2	2,329	98.1
1,191	98.0	624	92.2	422	82.7	287	91.7	2,087	87.9
1,238	101.9	614	90.7	514	100.8	347	110.8	2,075	87.4
1,115	91.8	582	86.0	467	91.6	344	109.9	2,265	95.4
894	73.6	504	74.0	560	109.8	430	137.4	2,054	86.6
15,612	—	7,832	—	5,948	—	3,963	—	26,923	—
1,301	107.1	653	96.4	496	97.3	330	105.4	2,244	94.6



But while the range of fluctuations is very much higher than for cases of family care, the general configuration of the curves appears very similar. The drop in the curves, both of the applications and the cases under care, beginning with the middle of 1915 when the European munition orders created a revival of industrial activity in this country, has been very persistent during 1916 and continued declining during 1917. Here again the index for the last few months of 1917 has been the lowest on record since the beginning of 1914.

The above remarks are practically applicable almost in the same degree to the Municipal Lodging House for which the index reached 570.1 in March, 1914, and again 657.4 in January, 1915, and since then has rapidly declined, the index for September, 1917, being almost exactly the same as for the number of homeless men under care. The annual cycle is just as strongly evidenced in this statistical series, the only difference being that the highest peak is invariably reached in January and March rather than in November and December. This is obviously the effect of climatic conditions, cold winter nights increasing the population of the Municipal Lodging House.

The homeless man or woman, therefore, appears to be even a more immediate victim of changes in general economic conditions than the destitute family. The reasons for this are not difficult to understand. A family has at least some cohesive power and group responsibility, so that unemployment of one worker is frequently compensated at least partially by the earnings of another, and is met by the aid furnished by more or less distant relatives.

3. *Commitment of children.* The commitment of children represents a somewhat different type of dependency. The conditions here are likely to be more fundamental, resulting either from a sudden calamity or from an accumulation of long-time influences. For the number of children for whom applications for commitment are made monthly figures prior to 1916 were unfortunately not available. As already explained, children are committed to public care in New York City in several ways, and especially was this true before 1916. For this reason the two columns giving the number of applications and the number of children placed under city care are not quite comparable; nevertheless, the percentage relation between the two is interesting as showing the reduction in the proportion of children committed because of the more stringent investigation of the circumstances of the families

concerned, by the Bureau of Social Investigations. This relation was 68 per cent in 1914, 62 per cent in 1915, and 56 per cent in 1916. As a matter of fact, since only about one half of the children are committed through the Department of Charities, the actual proportion between applicants and commitments is nearer 25 per cent.

The commitment of children does not seem to be subject to such violent fluctuations as the phenomena previously studied. Nevertheless, the same tendency towards reduction may here be observed. The average number of applications during 1914 shows an index of 124.2; during 1915, 119.5; and during the year 1916 has shown a very marked decrease. There has been, however, a certain tendency towards increase in applicants during 1917 as compared with the corresponding months of the year before, especially during the latter half year.

The reduction in the number of children actually placed in institutions has been even more marked, the average index for 1914 being 151.4 and for 1915, 133.2. The year 1916 shows a gradual reduction from the beginning to the end of the year, and the index for 1917 runs comparatively lower than the index of applications for commitment. The curious feature of this index is that its peak, entirely contrary to the other figures, shows a rise towards the middle of the year. Various explanations suggest themselves for this peculiar configuration of the curve, as pointed out on page 736.

4. *Free burials.* The number of free burials (including those by the Department of Public Charities, and several private organizations) shows fluctuations of an entirely different character. On the one hand there is no decrease from 1914 to 1917, in fact there seems to be a slight increase; on the other hand, there appear violent fluctuations from month to month, as for instance, 132.7 in June, 1916, to 79.3 in July of the same year. It is somewhat difficult to explain these fluctuations, which may be due as much to variations in general mortality as to economic causes; or again to the somewhat accidental character of the available data. It is also possible that the considerable improvement in the methods of the municipal morgue has made municipal burial somewhat more popular among the poor, or at least somewhat less gruesome than the old Potter's Field used to be. In any case, the statistical index is valuable as evidence that the problem of free burials is a more or less permanent one. Whether or not it be



largely limited to derelicts of our modern industrial system, we seem to have the graveless pauper with us, even when the general level of economic prosperity is at its highest.

5. *Hospital cases paid for by Department of Public Charities.* It has proved impossible to ascertain the monthly data for 1914 and 1915. The average for 1915 is higher both for the number of applications and for the number of cases paid for than in 1916; and, again, there has been a very substantial reduction during 1917, so that the numbers towards the close of the year were the lowest on record for the number of applications and almost the lowest for the number of cases paid for. The average proportion of cases paid for to the number of applications in 1915 and 1914 was 70 per cent, but has been reduced considerably since then, amounting during the last three months to a little over 50 per cent. As far as it is possible to judge from the short period for which data are available, there seems to be no definite annual cycle either in the number of applications or in the number of cases paid for, both actually showing four peaks during 1916. The more marked is the continuous reduction in the number of cases during the last twelve months. This may partly be due to more efficient methods of investigation by the Bureau of Social Investigations than the rather easy custom of paying for most cases applied for after a purely perfunctory visit at the patient's home, but there is also strong evidence for the belief that with improvement in labor conditions even the proportionate number of applications for payment out of public funds has declined somewhat.

6. *Dispensary practice.* The general trend of fluctuations in dispensary practice, both as to number of new patients and as to number of new visits, at first glance does not seem to coincide with most other figures. For every one of the four years we find a decided increase in the early months of the summer, falling into May or June, and a consistent reduction towards the winter months. It is impossible to state with any degree of certainty the cause of such fluctuations, but it is probably due to the fact that more favorable weather permits the poor patient to go to the dispensary when with a similar complaint in the winter he may be forced to call a private physician.<sup>3</sup>

<sup>3</sup>The uniform depression of both curves in February is of course to be explained simply by the comparative shortness of the month. This factor of error might be eliminated by converting the monthly figures into daily averages. It has not been done partly because it requires a good deal of

Nevertheless, it is extremely interesting to observe that while the volume of dispensary work in 1915 exceeded that in 1914, there was a very substantial drop in 1916, nearly 10 per cent; and that on the whole, comparing the first nine months of 1917, the downward tendency has been continued, thus again demonstrating the influence of social conditions in the city during that period.

This rise in 1915 has almost altogether been due to the first half year, the average index for the months of January to June, 1915, being 113.9 against 104.3 during January to June, 1914, while the average index during July to December, 1915, was 105.4 against 102. for the same months of 1914. The conclusion is justified, therefore, that the detrimental effect of the severe unemployment during the winter of 1915 reflected itself in a much greater appeal for free medical aid during the following spring and winter.

7. *Small loans.* Under this category the statistical data given are divided into (1) those pertaining to chattel loans and (2) small free loans. Since only one agency furnished data concerning chattel loans and the operations of that agency are not very extensive, it may be improper to draw any conclusions from the figures. The number of applications, however, here as elsewhere, indicates a reduction during the period 1914-1917 in the amount of distress which calls for this form of relief. The average index for 1914 is 106.3 and for 1915 is 104.7, compared with the base of 100 for 1916. The corresponding figures for the number of loans made show an increase from 84 in 1914 to 95.2 in 1915 and of course 100 for 1916. As already explained, this was due to a certain change in the policy of the Chattel Loan Society,

computing, partly because the reduction to daily averages would probably require the number of *dispensary days* (by eliminating Sundays and holidays) as a divisor, and also because it would destroy the comparison between this index and the others, unless similar daily averages were computed for all the other indices. It may be pointed out, however, that to bring all the four years together, the average number of visits in January is 238,290, in February, 206,394, and in March, 253,058, or, in terms of the index, 103.1, 89.3 and 109.5. But if corrected to a daily average without elimination of holidays the visits become respectively, 7,687, 7,371, and 8,163; or, in terms of the index, 101.4, 97.3, and 107.7. And if holidays and Sundays are deducted so as to have dispensary days only, the average daily attendance for these three months becomes 9,345, 9,276, and 9,528; or, in the terms of the index, 102.1, and 101.3 and 107.1, the indent in February almost vanishing.

leading to greater liberality in granting loans. As to the free loan societies, the figures present a very irregular curve, from year to year as well as sudden fluctuations from month to month. Most of these fluctuations are not easy to explain. They may be partly accidental, depending upon the small number of cases which only three societies can furnish. They may mean that the activity of the societies is more dependent upon the available resources than upon the dimensions of existing needs. There may be many other curious explanations. For instance, it is highly probable that (since we are dealing with Hebrew societies) the sudden increase of loans in March (evident in each of the four years) is due to the approach of the Passover holiday which every self-respecting Orthodox Jew will exert himself to the utmost to celebrate, even going to the extent of applying for a charitable loan.

The temptation is great to permit a preconceived theory to influence the work of the statistician, and, for instance, to discard the figures because they do not seem to fit in well with the remaining data. But perhaps for this very reason it appeared important to include them, so that the general dependency index should not over-emphasize a certain tendency, strongly manifested in certain social phenomena, but not in others.

### *General Index of Dependency*

By similar averaging of the miscellaneous indices the general index of dependency for New York City has been computed and is shown in Table 2 below. A serious difficulty arises out of the fact

TABLE 2.—GENERAL DEPENDENCY INDEX

Month	Average of twelve indices				Average of fifteen indices	
	1914	1915	1916	1917	1916	1917
January . . .	226.5	280.7	124.1	107.2	119.6	106.6
February . . .	188.5	232.7	106.2	99.2	105.7	96.6
March . . .	207.1	234.6	118.2	109.9	110.7	107.2
April . . .	189.6	180.7	98.8	95.2	98.5	94.5
May . . .	146.9	158.2	103.0	101.3	104.9	101.6
June . . .	139.2	137.5	105.3	94.4	105.5	94.3
July . . .	140.8	125.4	89.6	88.5	91.9	91.4
August . . .	124.6	120.7	88.6	86.5	93.0	87.6
September . .	137.3	104.5	85.4	75.5	85.7	74.9
October . . .	162.6	115.1	87.7	82.7	89.2	82.7
November . .	191.4	114.9	95.3	81.1	94.2	80.7
December . .	252.5	123.6	102.7	85.3	100.2	83.8

that 3 of the indices—(1) the number of children presented for commitment, (2) number of applications for payment to private hospitals, (3) number of patients paid for—are not available before January 1, 1915; only 12 items are averaged for the years 1914 and 1915, and 15 items can be averaged from January, 1916, to December, 1917. In order to test the propriety of using one series of index numbers from January, 1914 to December, 1917 (when, as a matter of fact, the number of items averaged is not uniform throughout the series), the first 12 items were averaged throughout the entire period and then the 3 additional items were added and new averages obtained for 1916 and 1917. Both series of figures are shown in the table.

A careful comparison of both series for the period January, 1916, to December, 1917, indicates that on the whole the variation between the two is not so great as to be discouraging. Only in two months out of twenty-one is the difference greater than 3 points on a 100 points scale, while the average difference is less than  $1\frac{1}{2}$  points.

The point involved is not only a technical one. The question to be answered is whether for the latter two years the average of 12 or of 15 indices is to be preferred. And if the 15 indices average is preferable, because it includes certain important data not received for the previous two years, whether the 12 item and the 15 item averages can be properly compared and a continuous index constructed, which does not contain exactly the same items all through its course. The comparatively unimportant differences influenced the writer to answer the question in the affirmative. If the general plan of the continuous publication of the index had not been frustrated, the intention was to add to the statistical data as rapidly as possible, instead of strictly limiting the work to the 12 items with which the index began. The same theoretical problem of comparability of the old with the new index would necessarily arise every time even one new item was added. The decision made was not to let a quest for a high degree of technical accuracy interfere with the extension of the social usefulness of the compilation.

The general conclusions to be derived from the figures given is, perhaps, not a startling one. The index of dependency begins with 226.5 in January, 1914; and barring the rise after the February depression (already sufficiently explained) it takes a downward course until August, 1914, reaching 124.6. The effect of

the European war is immediately felt in the constant increase from September on, to which of course must be added the effect of the normal tendency during the winter months. The seasonal variations alone cannot, however, explain the rapid increase to 252.5 in December, 1914, and 280.7 in January, 1915. Though slight improvement in conditions is shown in the early spring of 1915, it does not produce any substantial effect until about June, from which time it continues to fall under the effect of the industrial revival, so that even the winter of 1915 raises the index but slightly to 123.6 in December, 1915; 1916 shows continuous improvement, with a very slight rise towards the close of the year; and the curve for 1917 almost uniformly runs lower than for 1916, the general index for September, 1917, being the lowest on record since January, 1914. There is again a slight rise in October to December, 1917, but the index remains much below that for the corresponding months of the previous years.

The argument may be made that these conclusions are so obvious as to make the elaborate construction of the index altogether unnecessary. It is necessary to point out, therefore, that the purpose of the index is not so much a study of the changes of the past as of the fluctuations of the present, or as near that as possible. Only at this time, in beginning the construction of the index, was it necessary to go back for nearly four years. The main purpose of this analysis was to test these numerous statistical series in order to find out how sensitive they are in reflecting general conditions. It is believed that at least this question is answered in the affirmative and that the index for the last four years guarantees its usefulness in the future, its ability to reflect tendencies in either direction. A further drop in the index may, therefore, be assumed to represent a satisfactory condition of affairs; a rise in the index, especially if it should proceed faster than justified by the annual cycle, will serve as a useful danger signal.

Furthermore, another very important use may here be suggested. When industrial depression does come, bitter controversies invariably arise as to the extent of need for social measures of relief. Hysterical exaggerations of situations from one camp are usually met by a complacent denial that everything is not all right. The index could serve as a useful barometer to measure the real situation and a comparison of the index with that for any period during the preceding years may establish a useful standard.

*Annual Cycles of the General Dependency Index*

The typical annual cycle, with the rise of dependency in winter and falling off in the summer, is shown very clearly when the monthly index numbers are averaged for all the four years. To facilitate the comparison of the months of the four-year cycle, the indices originally computed on the basis of the monthly average for 1916 as 100, have been recomputed here with the average monthly index for the combined four year as 100. The relations between months have, obviously, not been changed thereby. Without the conversion, however, because the indices for the two earlier years are uniformly above 100, the superficial impression would be created that the fluctuations of the annual cycle are all above the average 100. Though the four-year average includes two acute periods of unemployment both falling in the winter months, and the configuration of the annual cycle curve may have been somewhat affected thereby, it is not believed that it would constitute the entire explanation. In any case, the curve represents a true picture as far as these four years are concerned, and the extension of the index over a longer period of years would undoubtedly make it more representative.

As the data stand, they show a steady decline from January to September (the recovery in March from the February decline has already been explained), and a rise from September to January. The range of fluctuations is high, the January index of 138.8 being to the September index number of 76.2 as 182 to 100,

TABLE 3.—ANNUAL CYCLE OF THE GENERAL DEPENDENCY INDEX

Month	1914 <sup>1</sup>	1915 <sup>1</sup>	1916 <sup>2</sup>	1917 <sup>2</sup>	Four-year totals	Four-year average	Annual cycle
Jan. . .	226.5	280.7	119.6	106.6	733.4	183.3	138.8
Feb. . .	188.5	232.7	105.7	96.6	623.5	155.9	118.1
March . .	207.1	284.6	110.7	107.2	659.6	164.9	124.9
April . .	189.6	180.7	98.5	94.5	563.3	140.8	106.7
May . .	146.9	158.2	104.9	101.6	511.6	127.9	96.9
June . .	139.2	137.5	105.5	94.8	476.5	119.1	90.2
July . .	140.8	125.4	91.9	91.4	449.5	112.4	85.1
Aug. . .	124.6	120.7	93.0	87.6	425.9	106.5	80.7
Sept. . .	137.3	104.5	85.7	74.9	402.4	100.6	76.2
Oct. . .	162.6	115.1	89.2	82.7	449.6	112.4	85.1
Nov. . .	191.4	114.9	94.2	80.7	481.2	120.3	91.1
Dec. . .	252.5	123.6	100.2	83.8	560.1	140.0	106.1
Aver. . .	175.6	160.7	100.0	91.8	528.1	132.0	100.0

<sup>1</sup> Average of 12 indices.

<sup>2</sup> Average of 15 indices.



or nearly twice as large. It may be stated in a different way that the months December-May claim nearly seven twelfths (57.7 per cent) and the other six months only five twelfths (42.3 per cent) of the total amount of dependency; and, furthermore, that the months January-March alone claim 31.8 per cent or nearly one third, while the months August-October contribute 20.1 per cent or one fifth.

The conclusion is interesting not only in itself but also for interpreting current fluctuations of the general dependency index. It means that too much reliance should not be placed upon the comparison of the index number for one month with that of the preceding month, unless due consideration is taken of the normal annual cycle.

#### *Cycles of the Various Indices*

While this general annual cycle of dependency (Table 3) with its rise in winter and its decline in summer is plainly demonstrated by the computations on page 734, even a superficial inspection of the general table (Table 1) indicates that the various conditions of dependency do not always move in harmony. It is for that very reason that a general index became necessary. With the increase of demands for general outdoor relief in winter, especially from homeless men and women, the average layman is familiar. But it is quite clearly shown by the statistical data here gathered that this is not all there is to the problem of dependency. Considerable light is thrown upon various social problems by the computation of the annual cycles for each one of the 12 series of figures for which such computation could be made. The method used was more direct than for the general dependency index. The absolute figures for the respective months of the three years<sup>4</sup> were added, and divided by three, and the index computed by dividing each month by the monthly average for the entire three-year period. The resulting index is therefore constructed on the basis of the monthly averages as 100.

An examination of these tables indicates that the various social phenomena studied fall into two well defined groups. On the one hand there is a group of facts with a very marked annual cycle, showing a rise in the winter and a fall in the summer. To this group belong the data concerning family care, homeless

<sup>4</sup> Only three years were used for computation of these cycles, because data for 1917 were fragmentary at the time of computation, and were only completed in proof.

men, and the municipal lodging house (altogether 5 of the 12 indices). The range of fluctuations is stronger in some cases than in others. The municipal lodging house shows the highest range, from 44.1 to 202.8 with a mean deviation of 47.3. The work of the Homeless Men Bureau and family care follow in the order named. In the latter case the number of applications shows a higher range than the number of cases under care at any one time. The peak is reached in December or January, as far as the number of applications is concerned, but as far as the number of families under care are concerned, the peak is reached later (in March), thus demonstrating the cumulative effect of the rigorous winter upon the extent of dependency existing in a community.

It is possible that this tendency towards annual cycles is somewhat exaggerated by the fact that averages for only three years were taken, and this period includes two winters with very severe conditions of unemployment. With a longer period to average these fluctuations of the annual cycle might be considerably reduced. At any rate the reasons for this typical annual cycle are not difficult to understand. For the remaining 7 statistical series the annual cycles are very much less pronounced and the mean deviations very much smaller—from 6 per cent to 10 per cent.

The monthly fluctuations of some of these series are sometimes difficult to understand. In the case of child commitment there seems a suspicion of a double curve. Disregarding the depression of February, mainly due to the shortness of the month, the curve rises from November to March, declines substantially in April, and then rises to its maximum in July, declining rapidly through August to October. The March rise is frankly somewhat difficult to explain. The general increase of child commitments in the summer may very likely be due not so much to economic as to atmospheric conditions, summer being the time when the advantages of placing children in the open become more evident. It is sometimes assumed by the layman that every child committed to the public care is a full orphan, and dependent until maturity. As a matter of fact, children are placed for temporary care even more frequently and it is probable that this group of child commitments has a tendency to increase in the summer.

The two indices dealing with the work of free dispensaries show a fairly well defined annual cycle, but of a character directly opposed to that of outdoor relief or the homeless men. Except,

TABLE 4.—ANNUAL CYCLES, TRIENNIAL MONTHLY AVERAGE INDEX NUMBERS (THE AVERAGE PER MONTH BEING 100).

	Family care		Homeless men and women		Municipal lodging houses	Child commitment	Dispensaries		Small loans		Free burials	
	Number of new cases	Cases under care	Number of applications	Cases in charge at end of mo.			Total registration	Number committed	Number of new patients	Number of visits		Chattel loans
					Applications	Granted					Free loans granted	Number buried
January .	146.9	111.4	163.2	193.6	202.8	102.0	103.6	99.0	104.3	99.3	101.9	95.8
February .	127.4	116.7	149.7	145.0	165.1	92.2	83.3	87.2	85.4	74.6	93.9	91.5
March . .	119.8	122.8	138.8	132.3	177.5	108.6	103.7	106.2	104.7	97.6	119.1	102.0
April . . .	86.3	113.7	98.0	129.2	138.5	103.9	105.7	105.0	89.4	95.9	89.7	108.4
May . . . .	85.9	103.8	77.5	72.6	89.7	111.0	116.8	112.9	98.4	95.5	98.4	120.6
June . . . .	87.9	98.5	61.9	68.9	59.2	112.5	111.3	109.9	110.5	102.1	109.3	115.3
July . . . .	82.7	92.2	62.4	66.4	46.1	103.4	104.3	101.5	109.6	109.9	97.1	91.9
August . . .	73.9	86.8	63.0	68.1	44.1	95.8	104.8	101.0	98.3	92.8	99.2	108.4
September .	66.4	84.0	62.1	60.1	49.0	95.0	92.3	92.5	89.2	83.8	94.4	98.4
October . .	81.9	83.2	80.9	64.9	60.0	97.1	99.3	99.4	101.1	104.5	89.8	90.2
November .	95.4	88.3	102.6	87.7	71.8	89.0	89.7	94.6	98.7	105.5	99.9	82.3
December .	144.7	98.5	117.7	120.0	96.3	89.7	85.2	90.7	109.4	139.5	108.5	97.0
Mean deviation }	23.2	11.4	28.0	35.2	47.3	6.9	8.4	6.1	7.5	10.1	6.4	9.1

again, for the February depression, there is almost a steady rise from January to May, and a decline from May to December. The very slightest break in the decline in October is probably easily explained by the opening of the school season towards the close of September, which causes an increase of dispensary work among school children. It is possible that the increase of dispensary work in the late spring is explained by the greater accessibility due to favorable weather conditions. It is not unlikely that there is more sickness during this period of changing weather conditions.

It is difficult to establish any definite annual cycle in regard to small loans. In each of these indices the increases and declines are scattered throughout the curve, giving the curve the configuration of almost a zigzag. Nevertheless, certain tendencies may be observed. The applications for chattel loans are highest in December and again in June and July. There is at least a suspicion that Christmas holidays and summer vacations offer a partial explanation. In the loans granted, the midsummer peak is considerably reduced. Probably this is due to a certain control of the degree of need in the grant of loans. The highest March peak of free loans in reference to the Hebrew holidays has already been referred to.

Finally, the index of free burials presents, notwithstanding a certain irregularity, a definite cycle with its peak from November to May and gradually declining towards the late summer and fall. Probably a more intensive analysis would be required to interpret this curve. It may be that as we are dealing here with death, the ultimate act of the human drama, the peak of the curve is naturally reached some time later than the peak of the ordinary distress curve. It may be the struggle of a hard winter that is responsible for a grave in Potter's Field in the spring.

Too much reliance cannot be placed upon these annual cycle curves, especially the last seven, because three years is scarcely sufficient time to bring out these tendencies. Nevertheless, the following somewhat general observation appears justified. The groups of phenomena which demonstrate the most pronounced annual cycles also seem to present the greatest variations from year to year, and the curves of the monthly index throughout the four-year period show the greatest deviations. These may therefore be described as the highly variable symptoms of dependency—such as outdoor relief, the population of lodging houses, the care of homeless men and women. Very largely these are conditions fol-

lowing crises, depressions, and other disturbances and fluctuations of employment. To a very large extent they reflect the problem of unemployment.

But there is also another group of dependency which manifests itself in the statistics of other methods and institutions for public relief (for we must not forget that an institution for public relief is also an evidence of existence of dependency of some kind or degree) and which is very much more steady. The fluctuations from month to month, from year to year, are very much less pronounced. It seems that we are dealing not with social epidemics, but with endemic diseases. And curiously enough the word "disease," used here somewhat allegorically, is peculiarly appropriate, because this group of dependency does deal very largely with sickness and the resulting death or need. Thus among these permanent manifestations of public need we find hospital care, dispensary work, free burials, placement of children (largely because of death or disabling sickness of parents), and even small loans, for the need of which sickness in the family is frequently responsible.

It seems therefore that both the highly sensitive indices of dependency and those of the more stable, solid character are of great significance. The first indicates how elemental forces can in a very short time throw large numbers into a stage of dependency requiring charitable relief. The latter show something equally significant, that even in times of highest prosperity a substantial residuum of need and destitution remains. In view of the heated controversy concerning the merits of the health insurance cause, it may be worth while pointing out that this persistent residuum of dependency is largely due to sickness and its consequences.

The general dependency index is undoubtedly strongly affected by the combination of the indices of these two groups. But this, instead of being a criticism, is really a strong argument in favor of its substantial accuracy. An index reflecting only the rapidly changing conditions of general C. O. S. work or of the lodging house population would be as misleading as would be an index which refused altogether to take these sudden increases in amounts of dependency into consideration. The truth must be somewhere between these two extremes.

It is not intended to advance the claim that the index computed here has a very high degree of accuracy even if limited to New York City. Undoubtedly some important factors have been al-

together disregarded and, without some method of weighting the numerous independent indices, the general average must remain a rough approximation only.

Nevertheless, it is believed that the idea of a dependency index is not a futile or a hopeless one and that the description of the methods of constructing such an index, as given here, may stimulate efforts toward the constructing of similar indices in other communities. A better knowledge of the existing needs as well as the facilities for meeting them cannot help resulting from such efforts. An accumulation of data for longer periods and larger areas will probably have a certain academic value. But over and above that, an effective and rapid method of measuring fluctuations of need should result in directing constructive social effort into higher efficiency and greater economy.

I. M. RUBINOW.



## DIMINISHING RETURNS IN MANUFACTURES

The classic writers, as is well known, excluded diminishing returns from direct operation in manufactures. The "limiting principle" in the extractive industries was the universal pace-setter for all economic society, and had its effect in manufactures only indirectly *via* increased cost of food and other raw materials. Even at the present day it is perhaps not generally appreciated that the law or principle of resistance which meets all expansion or extension of wealth-creating endeavor is universal. Unless the resistance is fully counteracted by invention or the improvement of the arts, we have diminishing returns along whatever line the increase of the scale of operations takes place.

One advantageous angle of approach to the problem of the "limiting principle" in manufactures is to ask the reason for the survival in the general competitive system of things of many small-scale industries, notably those engaged in producing high-grade, hand-made articles. The immediate answer (apart from considerations of the extent of the market) is that when such industries attempt large-scale operations their costs become too great relatively to the output. In a characteristically mechanical industry, on the other hand, the output is increased by the powers embodied in the machines sufficiently to overcome the increased costs, and hence with them a large scale of operations may be successful and permanent. The one class of businesses are in the way of realizing considerable improvements in the arts as they expand, because they have a great mass of machinery with which to make them. A business of the other class has conditions which do not lend themselves to increased powers of production, and hence the obstacle of increasing costs confines them to a small scale of undertaking.

The specific subject before us has been recently handled with a wealth of fresh illustration by Professor Dewing, in an article on "The Law of Balanced Return."<sup>1</sup> His analysis of the situation, though searching, is not, however, complete. Besides "labor costs" and "capital costs" with respect to both the merchandizing side and the plant side of a manufacturing business, there are also what may be called managerial costs. There is both plant proper "overhead" and management "overhead." When the small business of any sort, predominantly mechanical or predominantly hand

<sup>1</sup> AMERICAN ECONOMIC REVIEW, vol. VII (Dec., 1917), p. 755.

work, multiplies its force of workmen and multiplies its equipment, stocks of material, etc., managerial overhead mounts upward. This last is in the main what that "resistance" consists in which must be overcome by increasing productivities, if there is to be escape from diminishing returns or a shrinking to avoid bankruptcy to small-scale production again. I do not think that the proportion of labor cost to capital cost in the product has the significance that Professor Dewing attaches to it. It does not work as positively as he assumes. The fact is, any business whatsoever will fail if it grows rapidly, and in so doing merely has recourse to "quantitative accretions" of labor and plant. The expanding overhead in that event will swamp it.

One of the most striking illustrations of his thesis in Professor Dewing's article is the one given (pp. 760-761), apparently from personal experience, of the case of the shoe manufacturer of long training and great success as a small-scale producer who failed utterly when he built a new and larger factory, but still made without change a "particular grade of shoe," presumably of the finer sort. He had the advantage of a much better equipped factory, we are told, a "show establishment" in place of one "rather antiquated and inefficient." He could not compete, however, with "smaller and technically less efficient factories," because they had compensating advantages in being smaller and set a price he could not meet. His own "fixed capital costs" per unit of product varied adversely after he enlarged; they became "so much greater proportionately to the cost of labor" as to be his undoing. The cost of labor did not vary, being governed before and after by the fixed piece-rate "scale" of his locality. Also during the experiment (for that is what is really before us), by implication, there was no trouble from an insufficient market for the product. The bankruptcy came not from bad debts or other increased selling costs, not from increased wages per man employed, but simply from the fact that under the greater scale of operations "the fixed capital cost was too great for that particular line of product." Of course this may have been precisely so because our "highly successful" man, "spurred on by his success," like many another, lost his head and overdid his "show establishment" to a degree that made it technically less, not more, efficient than his old one. But we are not told that such was the case, and therefore we may rule it out. Rather there is one last fact that Professor Dewing does tell us (not last, of course, in the order of his presentation of the story)

which may be taken as the key to the whole situation, and that is: "He exercised the same entrepreneur ability in both factories." That, I submit, was probably the difficulty. Not that he continued to make the same grade of shoe, but that he exercised "the same" entrepreneur ability. In his expanded business he had to exercise a new and different and improved entrepreneur ability. The resistance came; he had to meet it or go under. He wasn't necessarily doomed to bankruptcy because of the grade of his product or the scale of his operations.

The present writer now has himself a very definite thesis to maintain. Just what happened in the larger shop that brought failure? Exactly in what did the "resistance" consist in this instance? We may answer concretely as to the strong probabilities drawing from the experience of many similar instances.

One of the first of the prevailing phenomena when a small shop grows into a large one is trouble with regard to inspection. "Inspection" does not mean merely the careful scrutiny of the finished product before shipment to maintain its "quality"; it means, rather, in any business where there is assembly of parts, the proper testing by standards—written standards—of the accuracy of all the operations that are performed on each of the parts preparatory to assembly, intermediate group assembly as well as final assembly. Moreover, at every stage of production, inspection means verifying the count as to quantity; otherwise the parts do not "match up" (shortages and excessive "overs"), though each be made perfectly. In these matters the practice of most small shops is exceedingly rudimentary. The ordinary workmen themselves are relied upon to be the primary inspectors all along the line, and the proprietor or his overworked foreman is the only over-inspector. There are, as a rule, no written standards—bills of material, drawings, or other specifications; these things the various persons responsible for production carry in their heads. Even if the specifications are written out to a degree they are not systematically written, recorded, and made universally available. Having this and that written on some paper hung on a nail somewhere, some leading workmen or foremen alone knowing where it is, is but once removed from having it in peoples' heads only. A very common practice is to go by "samples" instead of blueprints, and to refer to things in the manufacturing orders by name only rather than by definition of size, and to omit description of quality and quantity of material. It is always rough work, with numerous "fall downs"

in several ways, that is done with respect to specifications by using "samples."

These crude devices answer as long as the business is small so that the eye of the proprietor oversees everything, and so long as he has "experienced" workmen and foremen who know all the little ins and outs of the processes; but as soon as expansion comes on this basis, comes trouble—serious trouble. Strangers are taken into the workrooms and they have difficulty in finding out what is expected of them. Even after they do find out they naturally give themselves the favor of the doubt as regards the execution. It is fundamentally wrong in principle for those who make things and are primarily responsible for volume of output, themselves to pass upon the doubtful points as to how well they have made them. Consequently, as soon as the little old-style, unified shop expands into a large, complex shop there is a shifting of responsibility all along the line and back again as regards matters involving the function of inspection. The proprietor tries to mend matters by promulgating rules and putting pressure upon individuals. He is slow to change the method of inspection; and if he does change it, that means hiring inspectors as such and an elaboration of his clerical procedure, which costs money. The proprietor is confronted obviously by a dilemma. One way he meets with increased costs through delays in production and postponed deliveries and also through increase of work that has to be done over and increase of wholly spoiled material; the other way he meets with increased costs to keep these things down. Professor Dewing seems to assume that the increased cost will come in the first form—that the proprietor will not be able to surmount the difficulties of "final inspection" even, and the increase of "seconds" shipped will ruin the goodwill and so the business.

The point I wish to emphasize here is that, even when difficulties of inspection are surmounted, it costs money to do it, and there is, comparatively speaking, no way to get that money in the case of a hand-made, competitive product. If 500 workmen are employed where only 50 were formerly, then productivity increases approximately only in the ratio of 1 to 10, and the managerial overhead for the function of inspection alone increases in some greater ratio. It is manifestly more per workman employed, or per unit of product, if the explanation of the situation advanced above is sound.

But the business which is predominantly machine using (even a

large and formerly successful one, too) often meets with serious difficulty on the score of inspection if it seeks to expand rapidly or, more especially, undertakes the manufacture of a new product. It is well known in engineering circles that it was precisely from this cause that many of the recent rapid expansions in war-order work resulted in small profits or no profits at all. Most concerns of all sorts and sizes are weak in the matter of dealing systematically with specifications, and there can be no proper inspection without an adequate handling of specifications. Specifications is a long word, and it is a long job getting them to meet fully all requirements. Having full specifications means deciding most searchingly, down to the minutest detail—nothing overlooked—all the questions pertaining to what you are going to make. Incredible as it may seem, this first question of all in production is frequently left unanswered before the task of production is begun. Men enter into contracts for millions of dollars' worth of shrapnel, for example; start the work, and even complete the shells, and *then* find out what are the specifications. This sort of thing, both in peace times and in war times, is the reason for many a failure large and small in manufacturing.

Before leaving this topic it is to be observed that, on the other hand, it is waste, and great waste, to have specifications which are too fine. Only men of wide manufacturing experience can fully appreciate the extent of the loss, for example, from working machined metal parts to limits of a thousandth of an inch when limits of a hundredth of an inch would amply suffice. And in general there is great loss from over-elaborated and over-specific requirements. The purchaser should state clearly in his order the purpose of the product and the essential tests to which it must conform, and leave to the judgment of the experienced manufacturer the non-essential details of construction and methods of manufacture. There can be no proper economy in production otherwise. Governments are especial offenders in this particular matter, but it is common throughout all industry. This topic has such a direct bearing upon the leading idea of this article, the determination and observance of the does-not-pay point, that if space permitted it might well be elaborated. In passing, however, I will merely state that it is indeed a profound truth (the principle applicable to all the arts) that "Good enough is first-class engineering."

But to return to the case of Professor Dewing's small hand-

product shoe manufacturer who undertook to swell like the proverbial frog and burst. What really happened that caused the catastrophe? Besides troubles connected with inspection resting on omitted or incomplete specifications, he also doubtless had his troubles with "control of materials." As long as everything goes on under the eye of the master, he keeps track well enough of stocks of materials which are getting low, both raw materials and partly manufactured parts. If a particular customer's order calls for an exceptionally large quantity of a certain material, he anticipates that irregularity in the "usage" and orders a sufficient supply in time; but once his shop grows into several semi-autonomous departments or "rooms," and he continues his old methods (as he usually does), he never again knows how he is situated. Each foreman has his own stock or reserve of materials, raw and partly finished, and even he usually knows only approximately what is in that stock. Things are constantly being bought or made which are on hand already. Moreover, there is loss from jobs being held up and from deliveries delayed by reason of every now and then being out of this and that material. If interruptions of production are avoided by carrying larger stocks, and at least knowing where things may be found, it means a greater investment for a given volume of output, and diminished profits. Under unsystematized control of material and inadequate routing the amount of "work in process" also, as distinguished from materials proper in stock, grows amazingly, and, in turn, makes the turnover slow and lessens the profits. If our small manufacturer who has expanded into a large manufacturer intelligently seeks to avoid bankruptcy from this set of causes impelling toward bankruptcy, it can be only through installing a proper stores system with written "issues," "balance sheets," and "apportioning" (the device of stock room "limits" will not answer if there is irregularity in the usage). All of this costs money, means a considerable increase of managerial overhead; and where is the money to come from to pay for it? So, unless he reverses his policy and curtails operations, bankruptcy is apt to come anyhow.

And the large business has this same sort of resistance to contend with also. The present writer knows of a large clock manufacturing concern which at one time had somewhere around a million dollars invested in stocks of materials and parts (a large proportion junk) and yet was constantly making up fresh quantities of things it had already. The stores of this concern were



scattered in all sorts of places, with no proper records of them, and many of them were, consequently, for all practical purposes lost or non-existent, except for the burden of investment. The "work in process" in some of the work rooms was piled to the ceiling, and so congested the place that the workmen could hardly get in or out. In every manufacturing concern, old or new, large or small, the problem of control of material in its entirety—having things dependably where wanted at the time they are wanted—is far more difficult than the layman conceives. It is difficult to preserve a proper balance between different sorts of material, proper to varying usage and varying supply periods, that is, varying conditions of delivery by the suppliers. As regards specific "worked material," it is difficult to strike the balance between direct, technical economy in production and the indirect economy of the usage requirements. It is difficult beyond the imagination of the layman, even when the general balance of stores is economically maintained, to get the stores from the stores room to the machines regularly and without fall-down. There is the great problem of wastes and the handling of necessary "excess issues" of all sorts, moreover, but I have no space to go into that.

Finally, let us consider briefly what happens with respect to the system of manufacturing orders and the hiring and discipline of the help, and the "organization" generally, when a small concern with hand-made product or machine-made product grows into a large concern. As long as the shop remains small, a crude system of command suffices. Most of the orders are given orally and executed by rule-of-thumb as to sequence and quantities. But what is chiefly before us now is the matter of organization, delegation of duties, placing of responsibility, the seeing to it that responsibility and authority coincide—the whole subject of control of men.

In most old-fashioned shops, large and small, the supreme government does not obey its own laws. An order, perchance reduced to writing, defining functions and responsibilities so that friction may be avoided and team play secured, is hardly issued before it is disregarded by the boss himself. The only way such a system works (and it does work in a small shop) is that despotism is tempered by disobedience all along the line. Much of what the "old man" orders is treated by his subordinates "with a wise and salutary neglect." They know the old man and they know the relative importance of things—what must be done and what need not be done. Contrariwise, the old man knows his men, and, as

long as he can directly oversee them, makes allowances for excusable fall-downs. He has, of course, at least fairly good judgment about men and processes, else he would not be the proprietor of even a small shop. He does not, accordingly, discharge a man without sufficient cause, knowing well that, as a rule, the man he will get in his place will have the same or other natural failings, and, besides, there will be the time and cost of breaking him in to a useful knowledge of the habits and kinks of the shop.

But as soon as our benevolent and sagacious despot has to trust to lesser despots (often not so benevolent and sagacious) and cannot, because of the general growth of the business, directly supervise things as before, the whole crude scheme of organization and control of the human element falls to pieces. The loss from excessive labor turnover presently becomes very great; or, on the other hand, the labor turnover may continue small because bad workmen are allowed to stay under poor discipline. From excessive zeal for discipline (supported by absurd rules) or from undue slackness, either way the master is badly served by his subordinates, foremen or department heads. Foremen very often are foremen primarily because of their expert knowledge of some technical process (this, again, growing out of the old-style way of having such knowledge in peoples' heads instead of upon paper) and have little ability in handling help; and they have troubles of their own all the time from conflicting orders, from instructions misunderstood because inadequate, from all the many things that ever make the coöperating activities of men at best difficult. In a word, the crude, traditional system of command works as long as a shop is small, because of the accommodation from subtle understandings and personal adjustments, and because of the sheer driving force of one man, and he the proprietor. But as soon as "personal government" is outgrown, economic resistance, in this aspect of its manifestation alone (not to speak again of the others), comes in like an armed man. And, indeed, the sheriff is not a long way off, unless with the larger scale of doing things comes a new way of doing things. The hand-made product industry has not, as a rule, with its lack of wealth-creating power physically embodied in machinery, sufficient means to pay for the installation and maintenance of such non-physical equipment as is required if things are to be run properly. Consequently it remains small and gets along in the general competitive situation without being run properly. And many a big concern gets along under general

competitive conditions (as long as it stays in beaten paths) without being shipshape, too. It may even do very well and make money in spite of wretched shop management (if no worse than its competitors) by reason of good judgment and skill displayed in buying and selling.

And now to conclude. There is a possibility of invention, of an advance of the arts, in the art of management itself. Without going into this subject at length, it is sufficient to say with emphasis that such an invention has been made, and its adoption is spreading in the industrial world. Many a small hand-made product business can now successfully expand into a large business because, by employing this managerial invention, it can with less expense do the things necessary for successful expansion. These new managerial devices are found mostly in large industrial establishments, not because they alone need them or need them most (as the layman erroneously supposes), but partly because (as already stated) the large machine-using establishments are in a better position to afford the expense, and partly because the new, big things naturally come in big places first. And now that this movement in industry, which we may call planning-room methods or military "general staff" methods,<sup>2</sup> is well under way, it draws other improvements to itself; it uncovers further possibilities of advance, notably on the side of industrial humanitarianism as contrasted with mere industrial engineering.

But in the application of these new deliberative, quasi-scientific, planning-room or "staff" methods (unique in industry because the prevailing spirit of industry is impatient, driving, non-deliberative) the entrepreneur who uses them and must pay for them, and never if he knows it spend five dollars to save four, is confronted by a new form of resistance and the possibility of diminishing returns. It is possible for such things, of course, to be greatly overdone, and, on the other hand, it is equally possible for them to be disastrously underdone. This last happens especially when the

<sup>2</sup> In every well-managed army the members of the general staff return for a term of service each five years or so to their regiments. The principle implied here should be kept in mind in the shop. A department in any factory charged with improvement of methods will always fail if it merely sets standards for other people. A true planning room sews up directly with the work itself throughout the plant; it has duties as well as responsibilities directly connected with production. It grows, changes its views, and is duly sympathetic, for it, too, is a "toad that knows where every tooth point of the harrow goes."

proprietor develops a new department for the work made up of men who have grown up in the business. These amateurs catch at the skirts of scientific management and get only part of its spirit and its essential methods. Especially if the proprietor himself or some committee is somewhat niggardly and fancies that omelettes may be had without the breaking of eggs, the result is a grotesque superimposing of new things on old and inadequate foundations. The installation is, so to speak, a sort of veneer of the new art of management. New-fashioned ways of paying wages are put in without the preliminary "standardization" (more or less "job analysis," so called, is as near as they come to standardization); an ambitious scheme of "functionalized control" is attempted in a place where all the elementary principles of a general system of command are neglected; a difficult and at best hazardous system of "scheduling" is undertaken where there is no proper basis of "routing" and "recording." The result, as said above, is often grotesque and costly. In such places there is not a sufficient break with tradition. What is attempted is really in the main pre-Taylor methods dressed up in new and expensive garments.

If the proprietor takes the alternative course and employs an outside professional installer he runs into opposite difficulties. The professional will usually do a better job because he is a professional; but there are incompetents in the profession, and even the best of them may have too many irons in the fire and so be forced to imitate overmuch what has been done elsewhere—not enough adaptation is made to the peculiarities of the work in that particular concern. Some of the professionals are doctrinaire, self-opinionated men, and of the sort that will ruin any enterprise through expense. Every branch of engineering has that type of man—well trained, able, but without the instinct of economy. Indeed, the entrepreneur has no royal road to success, such as cutting down his managerial resistance by merely employing a professional expert installer. Here, as elsewhere, he must not only choose the expert, but also give him his fundamental instructions. Having chosen him, he must decide how far he will let him go. If he hampers him too much, of course, the professional cannot accomplish anything, and presently throws up the case. That is, the genuine professional will. There are those, the pest of the new trade, who will do anything the client wants; just as there are some physicians of training and ability who are morally of such a caliber that they will prescribe what the patient wants. On

the other hand, if the owner of the business does not hold down the management expert, frequently he will put in a top-heavy "system"; he will let his professional zeal run away with him. In general, mere "system building," done imitatively, is the evil to be avoided. Here, as everywhere else, the entrepreneur still has his own peculiar function which can never be delegated. Here, as elsewhere, he must size up the whole situation as to men and measures, things desirable and things possible, things that should be done now and things that must wait. He must recognize the limitations of the improvement of the art of management within his establishment. He must support the expert to put things through against much opposition, and he must find the way of overcoming that opposition without disheartening valued men long in his employ; or, if need be, he must decide what subordinates, unable to adapt themselves to a new order of things, he must let go. Here, as elsewhere, he has to make all the ultimate decisions as to what will pay and what will not pay. He has to determine aright—he himself and no one else—under penalty of diminishing returns and failure if he does not so determine, what to do and where to stop.

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## CLOSED SHOP VERSUS OPEN SHOP

The increasing activity of trade unions in pressing their claims for recognition at the present time is resulting in a renewal of the discussion of the merits of the closed shop versus the open shop. The campaign against the closed shop was so successful in certain industries a dozen or more years ago that the movement itself seems to have lost momentum because of its success. Just now, with unprecedented demands for all grades and classes of labor, the workers seem to have regained a part of their lost bargaining power and to have been placed, temporarily at least, in a position to again demand recognition from those employers who for a generation have refused to meet with the representatives of organized labor. Hence the reappearance of the arguments for and against the closed shop.

For the most part this discussion is conducted by employers or their representatives, and is therefore stated in the terminology common to that group. But even when the press and the public give attention to the question, we are accustomed to accept the employers' definitions of the terms open shop and closed shop, apparently without stopping to inquire whether or not they are correct. We ignore labor's substitute terms which, although admittedly biased and unrepresentative, should at least be given consideration. If we *are* to be the impartial third party to industrial disputes, should we not learn how much truth there is in the contentions of each of the two other parties and, if necessary, adopt new terms which are representative and which are accurately descriptive? It is in the hope of contributing to this end that the writer has made the following analysis. In each case he has sought the expressions of the recognized leaders of both labor and capital in order that he may present the views of both parties fairly. Whether or not the conclusions of this article are accepted, it is high time to give attention to the facts upon which these conclusions are based in order to find some classification of terms which will be fair to both capital and labor and intelligible to the public.

First, what are the facts to be considered? Whatever definitions we give to the terms open shop and closed shop we agree that we are trying to describe the relationship of trade unionism to industry. Perhaps the reason we do not agree upon definitions is that this relationship is too complex to be fully described by two simple terms. Some of these conditions are as follows:



1. There is the shop which chooses to employ none but union members because the employer believes that the union can supply him with more efficient workmen than he can secure in any other manner.

2. Then there is the shop which employs none but union members because the employer fears to incur the enmity of the labor organization to which his workmen belong.

In both of these cases the employer sooner or later establishes or accepts a definite policy of employing only union members and incorporates this policy into an agreement with the union.

3. Other employers, while agreeing with the union upon the terms of the labor contract, refuse to concede the exclusive employment of union members. Such employers may concede a definite percentage, may show a preference for union men when other considerations are approximately equal (which may result in a shop with 100 per cent union membership), or may exercise a preference for non-union men though employing them at union terms.

4. Some employers, through necessity, deal with their workmen only as individuals. This may be either because the workmen have no union or, if they have, because it is weak and unrepresentative of employees in that class of work.

5. Still others, through choice, insist upon dealing with workmen only as individuals, yet do not refuse absolutely to hire union members. Employers in this group are not indifferent to unionism but rather pursue a watchful policy, using means to weaken its union when the membership in the shop becomes threatening and ignoring the organization entirely when its representation in the shop is too small to cause concern.

6. Then there are employers who not only refuse to deal with unions but who will not knowingly employ workmen who are union members. They will even dismiss employees immediately upon learning that they are members of a labor organization.

7. Finally, the unions themselves occasionally introduce further complications by refusing to permit their members to work in shops on strike or in shops declared unfair for any other reason.

Even such a classification does not exhaust the possibilities for confusion in the popular discussions of open shop versus closed shop. For while it is popularly assumed that all unions pursue the same policy with respect to the degree of control they exercise over the supply of men in their trades, such is not the case. Some

unions have no apprenticeship regulations and only nominal initiation fees. They admit, without prejudice, any workman who can demonstrate his ability to perform the duties required in the trade. Other unions restrict their membership by refusing to admit qualified workmen except upon payment of extortionate initiation fees which amount in their operation to an effective obstacle to union membership. This in turn may mean at times an equally effective bar to employment at that particular trade. Still other unions limit the recruits to their trades by arbitrary apprenticeship ratios which are governed, more or less, by the needs of the trade, but which operate to maintain a monopoly of labor for the particular union members involved. Finally, some unions carry the restriction of apprentices to the extreme of limiting learners in the trade to the sons of union members.

These facts indicate the complexity of the problem of union relationship to industry. Yet how different is the interpretation often given to a discussion of this problem. The very attempt to simplify a complex situation often results in the omission of important considerations. That this is true of the question of open shop versus closed shop will be made clear by the following analysis.

From the employers' point of view, the closed shop is a "monopoly in favor of the particular members of the union which is a party to the closed-shop agreement": not a "real monopoly" but one which is artificial and arbitrary because "outside its ranks there is a large supply of labor seeking employment, and it can maintain its monopoly only by preventing this potential supply from reaching its natural market and coming in contact with the correlative demand of the employer. . . . This prevention is accomplished in one way and in one way only—by the use of force and coercion in one form or another, either to keep the outsider from accepting employment or to keep the employer from accepting his services."<sup>1</sup>

Any employer who resists the demand for a closed shop "is said to have an open shop"; a shop which "is free to all, to the union man as well as the non-union man."<sup>2</sup>

Trade unionists, on the contrary, claim that "there is no

<sup>1</sup> Walter Drew, "Closed Shop Unionism," in *Bulletin* no. 16, National Association of Manufacturers, pp. 4-5.

<sup>2</sup> W. H. Pfahler, in *American Economic Association Publications*, Third Series, vol. 4, pp. 183, 186.

closed shop." "When confronted by persons who persist in speaking, in private and public, of the 'closed shop,' the trade unionists recognize by that sign that they are dealing with an enemy, employing the verbal ammunition of an enemy, distorting facts as an enemy, and without having the manliness and candor of a courageous enemy."<sup>3</sup> Open shops, according to trade unionists, "are in fact *closed shops against union men and women*."<sup>4</sup> Or again, "In reality the open shop means only the open door through which the union man goes out and the non-union man comes in to take his place."<sup>5</sup>

For the most part economic writers have adopted the employers' definitions of open and closed shop, without stopping to inquire whether or not there may be situations not covered by these two terms.<sup>6</sup> Others, looking a little farther into industrial relations, nevertheless use the one term, open shop, to describe any one of the following conditions: (1) A shop in which "union men or non-union men are hired indifferently"; (2) a shop "entirely filled with union men"; (3) a shop "open only to non-union men."<sup>7</sup> No account is taken of the shops which could properly be classified under neither open shop as here defined nor the employers' definition of closed shop.

Other writers, more careful of their terminology, accept the employer's definition of open shop but give a new name to the condition described by the trade unionists as an open shop in practice.<sup>8</sup> In a few instances attempts at a more exact classification have been made by economic writers. Professor Commons has made one such classification which meets some of the objections stated above. He says:

<sup>3</sup> Samuel Gompers, in *American Federationist*, vol. 18, p. 118.

<sup>4</sup> W. E. Bryan, in *American Federationist*, vol. 19, p. 321.

<sup>5</sup> Clarence Darrow, quoted in *Current Literature*, vol. 51, p. 654.

<sup>6</sup> For example, Professor Taussig, after discussing the closed shop says, "The alternative is the open shop in which the employers deal with their laborers individually, or at least deal with them irrespective of their being members of the union." *Principles of Economics*, vol. II, p. 269. Most writers of economic texts follow Taussig in this classification.

<sup>7</sup> C. W. Eliot, *Future of Trade Unionism and Capitalism*, pp. 62-63.

<sup>8</sup> F. T. Carlton, *History and Problems of Organized Labor*, p. 122, defines open shop as follows: "An open shop is one in which union and non-union men work, or may work, side by side. No discrimination is practiced against union or non-union men." Professor Carlton then divides other shops into anti-union shops closed to union men, closed shops with open unions, and closed shops with closed unions.

The closed shop would be one viewed from the side of the contract, and would be designated as one which would be closed against the non-unionist by a formal agreement with the union; the open shop as one, where, as far as the agreement is concerned, the employer is free to hire union or non-union men; the union shop as one where, irrespective of the agreement, the employer as a matter of fact, has only union men. Thus an open shop, according to agreement, might be in practice a union shop, a mixed shop or even a non-union shop. The closed shop would, of course, be a union shop, but the union shop might be either closed or open.<sup>9</sup>

Marcus M. Marks has made a more minute classification in which, apparently, he has attempted to include all possible conditions of industrial relationship between labor and capital. His definitions are as follows: (1) The anti-union shop where the employer is "emphatically and frankly opposed" to the organization of his workmen. He will not knowingly employ a union man and will discharge those who join unions at any time. (2) The shop which is open because there is no union for the workmen to join. (3) The "typical open shop" where the employer is indifferent, neutral, or even friendly toward the union but will not grant it an agreement. Neither does he discriminate against union members. (4) The open shop which employs both union and non-union workmen but where the union either signs an agreement with the employer or reaches a mutually satisfactory understanding with him. (5) The union shop, all of whose workmen are union men though the employer may not even know of the existence of the union. At any rate he does not grant it recognition. (6) The closed shop with the open union. The employer is free to hire whomsoever he chooses provided they join the union at once. The union of course receives recognition. (7) The closed shop with the closed union. New workmen are obtained only by application to the business agent of the union and if an employee loses standing with the union the employer agrees to discharge him upon the request of the union.<sup>10</sup>

✓ But why call a shop "open" if the employer deliberately hires none but non-union men? Or why speak of a union shop if the workers therein give so little attention to their organization that the employer does not even know of its existence? And surely

<sup>9</sup> *Labor and Administration*, pp. 89-90.

<sup>10</sup> *Independent*, May 26, 1910. Even such a detailed classification is not exhaustive for it makes no mention, for example, of the shops closed to union men by the union itself.

there is a very great difference between the "open shop" which refuses to recognize the union and the one which, while hiring non-union men as well as union men, gives the union a voice in the determination of the conditions under which its members work.

Furthermore, we are accustomed to think of the open shop as the typically American, man-to-man method of agreement upon the terms of the labor contract. We picture the individual employer discussing with the individual workman the job in question, each trying to drive a good bargain in typical American fashion. But open shop, so-called, is often established, not by the action of an individual employer, but by the decision of an employers' association, some of whose members may even be enjoined by court action from exercising their individual wills in determining relations with their employees, without suffering severe indemnities to the association.

Frequently, the employers' association supplies individual contracts to its members with instructions not to hire any workmen who refuse to sign them. A typical contract of this nature reads as follows:

I, the undersigned, in consideration of the signing of a protection agreement . . . do hereby agree as part of the consideration thereof:

I shall not directly or indirectly counsel, advise, participate or aid in the declaration of any strike against the business of any present or future member of said Association, nor in the establishment or continuance thereof, nor in any measure, financial or otherwise, designed to make it effective. . . .<sup>11</sup>

A part of such individual contract or a supplementary contract may even go farther in limiting the activity of the individual worker. In the case cited above one form of contract, supplied to the employers by the association with instructions to require every employee to sign it, read in part as follows: "You represent to us that you are not a union man and agree not to hereafter join any union without our written consent."<sup>12</sup>

Very often too the practice of open-shop employers' associations in maintaining permanent employment bureaus or agencies creates an effective bar to the active union man. In speaking of the requirements of an applicant seeking employment through such a bureau one writer who is in sympathy with the method says:

<sup>11</sup> H. E. Hoagland, *Collective Bargaining in the Lithographic Industry*, pp. 95-96.

<sup>12</sup> *Ibid.*, p. 96.

He is required to give a complete record of himself, including the reasons why he left the shops where he was formerly employed. All the facts about him are put on a card which is kept in a permanent card catalogue. The secretary of the agency makes an investigation of the man's record. . . . In this way the employers find out who the disturbers are, and they are kept out of the shops.<sup>13</sup>

These examples could be multiplied many times to show that the open shop is not always free to all, the unionist as well as the non-unionist; and that on the other hand the closed shop is not always kept closed by the use of force or some form of coercion. Neither is it true that all shops recognizing the union are kept open by the union nor that all open shops are closed to union members. It appears quite clear, therefore, that we must reject the classification of open shop and closed shop if we are really desirous of finding names which are accurately descriptive.

In the early history of unionism in this country the terms open shop and closed shop were not used. Then shops were either "union" or "non-union": union if the organization had a voice in establishing working conditions; non-union if it did not.<sup>14</sup> Occasionally non-union shops were designated as scab or rat shops if the employer kept union men out. For the most part union shops were open to non-unionists as well as to union members for the unions of those early days had a naïve idea that they could legislate for the entire trade, whether or not they controlled the supply of labor in the trade.

Gradually the unions learned the necessity of bringing pressure to bear upon recalcitrant employers and hence they began to refuse to permit their members to work in shops on strike. The "closed" shop was one closed to union members.<sup>15</sup> It became an "open" shop when the union declared the strike off and permitted its members to return to work. Somewhat later the union, upon winning a strike, stipulated in the terms of peace that the shop be closed to non-unionists. The employers seized this conception of closed-shop unionism and have since made it the chief point of attack in their anti-union propaganda.

The publicity given to the open-shop movement of the past fifteen years has made it appear that there are but two kinds of shops to be considered: the closed shop which keeps out the non-

<sup>13</sup> I. F. Marcossou, in *World's Work*, vol. 11, p. 6963.

<sup>14</sup> F. T. Stockton, *Closed Shop in American Trade Unions*, p. 14.

<sup>15</sup> *Ibid.*, p. 14.



union workman, and all others, collectively called open shops.<sup>16</sup> At the time the terms were first used they may have been not far from accurate in their description of existing conditions. But certainly since that time the methods used by some of the so-called open-shop employers' associations have made necessary a new classification of terms to fit present conditions. The federal Commission on Industrial Relations has recognized this need and it is interesting to note that the *one* resolution which the commission adopted by unanimous vote read as follows:

Whereas the commission finds that the terms "open shop" and "closed shop" have each a double meaning, and should never be used without telling which meaning is intended, the double meaning consisting in that they may mean either union or non-union: Therefore, for the purposes of this report, be it

*Resolved*, That the Commission on Industrial Relations will not use the terms "open shop" and "closed shop," but in lieu thereof will use "union shop" and "non-union shop."

The union shop is a shop where the wages, the hours of labor, and the general conditions of employment are fixed by a joint agreement between the employer and the trade union.

The non-union shop is one where no joint agreement exists, and where the wages, the hours of labor, and the general conditions of employment are fixed by the employer without coöperation with any trade union.<sup>17</sup>

This distinction is essentially that made by trade unionists themselves. In a recent editorial in the *American Federationist* Mr. Gompers outlines the case as follows:

When an employer forms a treaty with the union, formal or tacit, his shop is union, even if the union consents for the time being not to disturb any non-union men among the employees. If the employer will not treat with the union or pay the union scale, his shop is non-union though among its employees may be union members. The deciding point as to whether a force of employees is union or non-union is the employer's actual recognition of union regulations.<sup>18</sup>

Are not the terms union shop and non-union shop more accurately descriptive than the terms open shop and closed shop? It is not the *presence* of union members in a shop that is important

<sup>16</sup> The open-shop movement has attained such proportions that open-shop schools and open-shop employment bureaus are very common. Open-shop literature is voluminous in amount. We even hear of Los Angeles and Washington as model open-shop cities.

<sup>17</sup> *Final Report*, p. 265.

<sup>18</sup> *American Federationist*, vol. 17, p. 885.

but rather their *activity* in securing or demanding a voice in the determination of the conditions under which they work.

Should we adopt this classification, there would be two sets of distinctions to be kept in mind. First, that between the union shop and the non-union shop: the union shop being one in which the union is a party to the wage bargain and the non-union shop being one in which the employer refuses to deal with labor in its collective capacity. Thus far we accept the classification suggested by the trade unionists. But there is a second distinction, equally important, which the trade unionists are not so ready to admit. The union shop may be either closed or open. Most unions accept the principle at least of the closed union shop. Whether or not they insist upon its enforcement depends upon expediency. In a few instances, notably in the transportation industry, open union shop seems to operate fairly successfully. Here the whole competitive field is covered by the agreement.

✓ The association of employers and the union fix, by joint action, the terms of employment for every position within this field, whether occupied by union members or non-unionists. The conditions essential to the success of the open union shop are: (1) The presence of a strong and well disciplined organization on each side; (2) the same scale of work and wages for both unionist and non-unionists; and (3) the settlement of all complaints, whether affecting union members or other workmen, by joint action of representatives of the union and the employers' association. In other words the union must act as the agent of all workers and must be protected from undercutting by non-members.

The non-union shop may also be, temporarily at least, either open or closed. If the employer does not fear the growth of unionism, he may not discriminate against union members in hiring workmen, even though he refuses to deal with them as such. On the other hand the employer may choose to keep union members out of his shop. In this case it seems that the only proper term to apply is closed non-union shop.<sup>19</sup> The employer is generally opposed to the closed union shop and almost never grants it voluntarily. When he is forced to grant such terms to the union he often considers the agreement merely a truce to be

<sup>19</sup> The same name would necessarily be applied, of course, to the shop which is temporarily closed to union members by the union itself on account of strike or other disagreement with the employer. However, these cases are relatively rare and can be described when necessary by a statement of the conditions surrounding them.

broken when opportunity offers. The temporary locus of the balance of advantage determines whether or not closed union shop shall operate. In many instances prosperous times bring closed-union-shop agreements. In succeeding dull periods the aggressive union members are dismissed and the remainder give up their affiliation in return for the retention of their jobs.

In passing judgment upon the closed union shop we should distinguish carefully between the closed union shop maintained by the open union and that maintained by the closed union. Obtaining membership in an open union is analogous to securing citizenship papers in a democracy. In both no groups are excluded except those whose members cannot attain the standards set for the entire organization. In each case individuals are excluded whose past conduct has been inimical to the welfare of the group. And in both the democracy and the open union qualified applicants for membership are admitted as soon as they satisfy the minimum requirements of admission. The closed union shop maintained by the open union has many supporters among economists and other members of the so-called third party to industrial disputes.<sup>20</sup>

Closed union shop maintained by a closed union, on the other hand, is wholly indefensible from the standpoint of social judgment. It operates for the benefit of the few and those few not always the most competent or the most deserving. Trade unionists themselves recognize the indefensibility of such a situation and for the most part deny the existence of the closed union. It is undoubtedly true that the practice of patrimony to keep down the numbers in a trade and the maintenance of prohibitive initiation fees or other artificial restrictions upon the entrance of competent workmen into a given industry are losing ground among union leaders themselves.

Likewise the closed non-union shop is equally indefensible unless we insist upon a very narrow interpretation of the sacredness of private property and the right of its owner to do with it as he wills. The spy systems used by some employers not only drive out of employment the trouble making agitator, but they keep all

<sup>20</sup> Professor Seligman, for example, after expressing himself as favorable to trade unions, says that unless the condition described here as closed union shop is maintained, the union itself will often cease to exist. *Principles of Economics*, p. 441. Professor Fetter, on the other hand, opposes closed union shop in any case and relies upon public sympathy to secure for labor higher wages when necessary. *Principles of Economics*, p. 250.

workmen in a state of mind which can hardly be described as fitting for liberty loving citizens of a free country. Employers agree that the closed non-union shop is indefensible. At least they are accustomed to deny its existence. It has been a very effective weapon in the hands of employers who have wished to establish what they have called open shop. It is harder to detect than the closed shop maintained by the closed union for its success depends to a large extent upon its secrecy, other pretexts being used as excuses for the dismissal of active union members.

Open shops, whether union or non-union, are essentially unstable.<sup>21</sup> The union employees continually attempt to organize the non-union workers and to establish closed union shop. The employer is equally anxious to prevent the complete unionization of his shop and will often resort to dismissal of active unionists if their activity seems to promise success.

In conclusion, the writer believes that because our present use of the terms open shop and closed shop is misleading and is not accurately descriptive of industrial relations in modern industry, we should eliminate these terms from economic discussions. As substitute terms we should adopt union shop to describe the establishment in which the union is a party to the wage bargain and non-union shop to describe the establishment which refuses to deal with labor organizations. The closed union shop would then correspond to what is now called the closed shop. While to avoid the confusion which arises under the present use of the term open shop, we would use three terms, open union shop, open non-union shop, and closed non-union shop, according to the degree of recognition given the union by the employer and the extent of his efforts to keep union members out of his establishment.

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<sup>21</sup> The transportation industry is apparently an exception to this rule for the reasons given above.

## RELATIONS BETWEEN LABOR AND CAPITAL AND RECONSTRUCTION

Among domestic problems of after-the-war reconstruction those relating to labor are by far the most difficult and important. Millions of men from the Army and Navy must then be absorbed in peaceful pursuits and large numbers now engaged in war work must find other occupation. Money wages have advanced sharply; a subsequent general decline, though accompanied and in part occasioned by falling prices, will encounter strong opposition.

In meeting these conditions it will be of immense advantage if good will and readiness to cooperate mark the relations between labor and capital. Unhappily war industrial conditions seem to be fostering the growth of distrust and antagonism, which, though now held in check, may cause serious trouble after the return of peace. (On account of the abnormally intense demand for labor, wage-earners have been able to secure many concessions from employers regarding hours and other conditions.) There are significant indications that some employers are not indisposed to take their innings at the first favorable opportunity. For the community as a whole and from the point of view of the enlightened self interest of employers as well, the adoption of such a course will surely be most regrettable; it will be certain to occasion widespread social unrest and to react most unfavorably upon the efficiency of labor.

Labor problems of the period of reconstruction would seem to be of two inter-related but fairly distinct kinds: (a) employment and wage adjustments involved in the return of industry to a normal peace basis, and (b) the relations between labor and capital, *i.e.*, the entire field of employment conditions. This paper is not concerned with the detailed consideration of the former group of problems. The degree of difficulty experienced by soldiers and war workers in securing employment in the various peace industries, and the extent of the fall in the general level of money wages will be determined largely by the character of the after-the-war demand for different commodities, the degree of business activity, and the monetary and credit situation. A period marked by widespread unemployment and by a decided fall in money wages would be unfavorable for the development of improved relations between labor and capital. But the situation as regards these matters is only one of the many factors and influences which

shape those relations. The efforts of organized wage-earners, legislation, technological requirements, the good sense and good will of some employers together with selfishness and lack of foresight of other employers all have a share in the evolution of industrial relations.

Severe and prolonged depression during the reconstruction period would doubtless overshadow all other influences affecting industrial relations, but fortunately there seems to be little if any reason to anticipate such an untoward state of affairs. A moderate decline in prices and in money wages after the war is altogether probable and perhaps not undesirable. A disastrously rapid decline, there is good reason to believe, can be avoided by a careful handling of the credit situation here and abroad. Active business continued for many years after the Civil War. Economy generally practiced now, together with deferred maintenance expenditure here and much rehabilitation work in Europe, would seem to provide a basis for that evident demand for goods which is always present in periods of active business.

In a number of ways it will be possible through direct government action to influence the general labor situation. Legislation granting power to limit the influx of immigrants during the period of reconstruction would serve to control one possible source of labor supply. Labor exchanges will facilitate the process of finding employment. Demobilization can perhaps be so handled as to lessen the danger of unmanageably large additions to the numbers of men seeking employment. Land settlement schemes promise to absorb a considerable though uncertain number of returning soldiers and presumably others as well. Large appropriations for public works to be expended only in the event of much unemployment during the period of reconstruction may also be advisable.

Although, as a result of general business activity and wise governmental action, a highly unfavorable condition may not develop in the labor market during the period of reconstruction, the large numbers who must find new employment can hardly fail to weaken the bargaining power of labor and to enhance that of employers. In the absence of an unusual measure of restraint and foresight, especially on the part of employers, relations between labor and capital may easily become seriously strained and embittered. A positive improvement in those relations during the reconstruction period, similarly, will depend more than in ordinary times upon the attitude and initiative of employers.



That there is room for great improvement in relations between labor and capital will not be questioned. Whether the period of reconstruction will be marked by such improvement is by no means certain, but there are reasons for the belief that some of the obstacles to improved relations can be more readily overcome than in normal times.

The war experience has weakened the hold of accustomed modes of thought and feeling. There is unusual readiness to consider ways of doing things quite unlike those which have been consecrated by experience. In a rapidly increasing number of factories employment management departments are being established—a development which is significant of a growing recognition of the need of better methods of securing and retaining workmen. By far the most potent influence which may be expected to contribute to an improvement in industrial relations, however, would seem to be the clear recognition by employers that present methods of factory management do not secure a high degree of labor efficiency. During the war there have been instances of declining efficiency but in striking instances this tendency has been counteracted, and often much more than counteracted, by the force of the patriotic spirit animating the overwhelming majority of wage-earners. In fact, the marvelous increase in the output of certain factories under the stimulating influence of war needs has made more clear to employers than ever before that wage-earners under the conditions prevailing in times of peace feel little or no interest in a high degree of productivity in industry.

During the last few years a number of practices and principles in factory management have been recognized and very generally adopted. Cost accounting, the planning and routine of work, are familiar examples. The results of this development have been important, but an even greater advance will be made if arrangements can be worked out and adopted which will make an enlarged output positively and obviously of advantage to employees. To bring this about a radical change in the attitude of employers toward the labor factor in production is required. Determination of the most feasible and effective arrangements for attaining the end in view is a secondary matter. It must be preceded by recognition that the maintenance of an interest in output among workmen is the most fundamental and important single principle of factory management.

Many and apparently an increasing number of wage-earners are

of the opinion that improvements in production and efficiency are positively disadvantageous to them as individuals and contrary to their interest as a class. An industrial system in which this attitude can become prevalent is surely defective and may well require modifications of a fundamental character. Efforts of employers to exercise greater control over industry will not improve matters. Autocratic industrial power can neither raise the average standard of effort and interest in work in employees nor prevent a general decline in efficiency when wage-earners are dissatisfied with the terms and conditions of their work. On account of the growth in size of the business unit, wage-earners are far removed from personal contact with employers. A more democratic spirit animates them and they are more conscious of their own real or supposed interests. Autocratic methods in factory management will therefore, it is to be anticipated, prove increasingly ineffective as a means of securing efficiency; and also they seem likely to foster the growth of widespread social antagonism and discontent.

There is another efficiency-conserving influence of first-rate importance which will probably be far less potent in the future than in the past. Recurrent periods of industrial depression have contributed much to the maintenance of labor efficiency. The difficulty of finding a new job enforces upon the mind of the workman the necessity of more than his previous accomplishment. To relieve distress unemployment insurance and the concentration of public works expenditures, so far as may be, in periods of depression, are in prospect. Soup kitchens and other charitable measures are unsatisfactory and degrading palliatives for conditions entirely beyond the control of wage-earners. The danger of becoming dependent upon them will not be allowed to overshadow the workman indefinitely and probably not for long. For the incidental stimulating effects on efficiency of an irregular demand for labor, employers must find other and more humane devices. Happily other and more effective means are available.

Emerson somewhere remarks that men are as lazy as they dare to be. This sententious observation contains a modicum of truth, but it is by no means a sufficient explanation of the common attitude of labor toward efficiency in production. Nor are fears of general over-production, a hoary economic fallacy, responsible to any very considerable extent. On the other hand, the long run advantage to every one, as consumer, from an enlarged annual output of the industries of the country cannot be expected to in-

duce efficiency, because it is too vague and diffused an advantage. It is not directly and immediately in proportion to the increment in output which may be made as a result of greater and more intelligent effort. The workman is not satisfied, and it may be added that no class in the community has ever been satisfied with remote advantages as consumers in return for specific efforts.

The ultimate advantage to wage-earners as consumers is not merely too remote to be a spur to efficiency. Frequently a greater output is the result of, or involves, changes and readjustments which are positively painful and disadvantageous to the workman directly concerned. The introduction of a new machine may destroy the value of acquired skill. Upon the workman falls the burden of a risk analogous to that of obsolescence, for which, in the case of plant and equipment, capital secures compensation by making it one of the costs of doing business. Unemployment and other forms of insurance, which, as we have seen, may weaken one efficiency motive, may also at the same time remove an obstacle to efficiency of even greater importance. Variations from the standard length of the working day can be made in such a way as to be helpful. A steeply graduated scale of rates for overtime would do something to check the feverish, badly directed business activity which always precedes a crisis and subsequent period of depression.

But very much more than the removal of obstacles is required to secure a high degree of labor efficiency. There must be positive incentives. To be effective these incentives must be closely related to the work performed. They must be found within the field of activity of each business organization and throughout each industry. Interest in the work itself is essential for efficiency in certain kinds of work and much to be desired in all. But the minute division of labor whether with or without machinery ordinarily works against this interest. On the other hand, it makes possible so enormous an increase in production that it is certain to be applied more and more generally throughout the field of industry. Where the handling of a machine requires physical and mental alertness and effort, in other words, is of an energizing character, it is possible by the use of individual progress records to develop an interest in subdivided machine work among employees.<sup>1</sup> There are also great possibilities of the elimination of much

<sup>1</sup> "The Creative Workman," by R. B. Wolf, an instructive paper presented at the 1918 meeting of the Technical Association of the Pulp and Paper Industry.

deadening routine work through the development of automatic machinery. These are prospects of the rather distant future. In the meantime other means of inducing efficiency and, if possible, interest in work as well must be sought.

In place of an interest in the actual work performed, an interest in some part or in the entire range of activities of the enterprise employing the workman has great possibilities. In the course of time much may perhaps be accomplished in this direction, but for the immediate future, at all events, the main reliance must be upon the pay envelope and other pecuniary incentives to induce efficiency.

Pecuniary incentives to efficiency must be closely related to the work performed, but much more than this is absolutely indispensable. Piece work wages, bonus devices, and profit-sharing arrangements are all means suitable in different situations of relating the return of the wage-earner to his accomplishment. Experience proves conclusively, however, that such arrangements do not in themselves provide the necessary incentives for efficiency. They are inadequate because they do not rest upon a broad and firm foundation. The employer ordinarily has virtually absolute power in the initiation, formulation, and termination of them. The workman must rely upon the good will and good sense of the employer. Such dependence is offensive to many wage-earners. In any event, there is no foundation for greater efficiency in industry generally since not all employers are strictly fair and endowed with a large measure of good sense. A common attitude of many employers seems to be that no workman should for any considerable length of time receive more than six or seven dollars a day in wages. Reductions in piece work rates are made in a manner which seems arbitrary and unfair to the men because frequently no explanation is given and almost never do workmen enjoy an advisory voice in the matter, much less a temporary veto.

The exercise of arbitrary power over changes in piece work rates, and save in exceptional instances, even the possession by employers of such power, are insuperable obstacles to the establishment in the minds of the men of anything approaching certainty that they will derive adequate advantages from greater efficiency and effort.

The Taylor, and other systems of scientific management perhaps, contains the making of arrangements which might render an enlarged output positively and obviously of advantage to wage-

earnings. Taylor himself perceived this possibility and insisted that a square deal with labor was essential if his system was to secure widespread adoption. But Taylor did not make this aspect of scientific management the central point of departure; he relied entirely upon the good sense of employers to safeguard the interests of the men. Consequently it was not made certain at the outset, and is not now certain, that the worker under scientific management is sure to receive a reasonable share of the gains resulting from the adoption of the system. A method of production which has perhaps very great possibilities now encounters such widespread distrust among workmen that it cannot be fairly tested and developed under favorable conditions in any considerable number of factories.

The general acceptance by employers of the fundamental importance of the development of an interest in output among employees as a working principle in factory management is the indispensable first step if a general increase in efficiency is to be made. In the course of time the manifestation of this attitude in practice would do much to establish confidence among employees. But much more than this will be necessary. Uncertainty regarding the motives and intentions of employers is not easily removed. In these circumstances it is reasonable to anticipate that an interest in output can be most readily established among well organized wage-earners in possession of strong bargaining power. To assert that the presence of strong trade unions might facilitate the adoption of efficiency measures and render them more effective will seem a hard doctrine to many employers. This view of the matter is not, however, based altogether on theoretical considerations. One of the most efficient industries in the world, especially on the labor side, the Lancashire Cotton industry, is strongly and completely organized. Trade union officials representing the operatives treat on an equal footing with representatives of the employers regarding wages, hours, and all other matters of mutual concern. Significantly enough this is the only great English industry which looks forward with confidence to the years immediately following the war.

In occupations in which there are now trade unions, policies designed to enhance efficiency should be introduced in coöperation with the unions. When it becomes clear that all intentions of smashing the unions have been given up, the way to negotiations will be open. In this connection it cannot be too strongly empha-

sized that no gain in efficiency is to be secured through measures which in the minds of the men seem likely to undermine trade union organization. At the same time employers may reasonably expect that the open union would become the usual form of labor organization. The closed union is a fighting weapon. It has no place when industrial relations are reasonably harmonious.

Equality in bargaining power between employer and employees is only a foundation for efficiency arrangements. Such bargaining power is likely to waste itself over a diminishing output unless it is accompanied by arrangements which will give the workmen an unmistakable interest in an enlarged output. On the other hand specific efficiency inducements, taking industry as a whole, are also inadequate. There are of course many instances of particular employers who have secured a high degree of labor efficiency without sacrificing in any way their power of control over factory operations. Often this result is directly due to the personality of the employer; in other instances it is due to exceptionally high wages or other advantages. The results secured by the model and progressive employer are, however, largely due to the circumstance that he is an exceptional employer. His experience may point the way to desirable changes in factory practice but when those improvements have been generally adopted they lose much of their stimulating effect on efficiency.

In the formulation of labor policies it should be recognized that absolute confidence on the part of workmen in the employer may take the place of strong bargaining power as a foundation for efficiency arrangements. It is at best a somewhat precarious foundation, however, since with the passage of time changes in the personnel of the management of an enterprise are inevitable. Even so, it would seem clear that the organization of unions where strong bargaining power is positively needed because of the absence of such confidence, and the development of satisfactory relations between unions and employers, are policies which promise far more to labor than can be gained through insistence upon immediate universal unionization.

Pecuniary inducements to efficiency have been first considered because of the primary importance of that factor. Advances in wages are not, however, always an incentive to effort. At times wages advance more rapidly than the standard of life and breed idleness. It is certainly much to be desired that pecuniary inducements be supplemented in every possible way by means which



will give the worker an interest in his work and in the enterprise by which he is employed. In organized industries supplementing trade agreements, and in unorganized industries for a wider range of objects, management sharing seems to be the most promising means of establishing conditions under which such interest will be developed. How far it might prove advisable for employers to consent to limitations upon their control of industry with this object in view cannot of course be determined in advance. In general these limitations would seem to include a voice in the determination of many internal shop matters as well as definite agreement as to the duration of and the considerations warranting changes in rates of wages.

Upon the possibilities of management sharing a passage from a recent work on profit sharing by a number of employers is most significant:<sup>2</sup>

How far the formation of groups and advisory committees for participation in management can be extended to the wage earning group is one of the most interesting problems of modern industry. . . . Many concerns have already some committees in operation among the rank and file. Safety committees are being urged by compensation insurance companies, fire prevention committees are not uncommon, and those for the management of sick benefits or organized recreation are widely accepted in principle. Is it not probable that committees of workers can be formed equally well to deal with other aspects of the business which affect them directly, and on which they are competent to advise, as for example, savings, suggestions, hiring and firing, health pensions, grievances—and even wages? Obviously such organizations, if they could be made to function wisely, would greatly increase the coöperative spirit, either with or without the use of profit sharing. Considering the vast fund of inside knowledge of conditions which the employer of a large establishment so rarely has any access to, the elusive but highly important "workers' point of view," and, not least, the great possibilities in the field of educating workers in coördination of effort, the significance of the problem of participation in management by the wage earners becomes apparent. It is not unlikely that the near future will see promising experiments in this field.

It would be too much to expect that under abnormal war industrial conditions committees of this nature in all cases will prove satisfactory to employers or to employees. To abandon them on this account at the close of the war would, however, be most unfortunate. Management sharing is susceptible of indefinite modi-

<sup>2</sup> *Profit Sharing*, by A. W. Burritt, H. S. Dennison, H. P. Kendall (employers), E. F. Gay, and R. E. Heilman, pp. 156-7.

fication and development as experience with its workings is acquired.

No revolutionary transformation in industrial relations can be made easily or in a short period of time. But there is certainly a possibility that relations can be improved during the period of after-the-war reconstruction, and also a danger that they may become more unsatisfactory. This danger will presumably be much reduced if the nature of the problems and difficulties of the after-the-war period in the field of labor are effectively brought to the attention of the people generally and if the vital importance of avoiding policies which must inevitably excite strife and distrust is made evident. The situation would seem to be one, the wise handling of which might be greatly furthered through the creation of a special labor commission composed of men whose findings would command the respect and confidence of the entire community.

The special circumstances of the after-the-war period alone would seem to furnish sufficient reason for a labor commission. We have had commissions in the past and their work, though imperfect, has been fruitful. It may, however, be said without reflecting upon their work that none of them has approached the subject of industrial relations primarily from the angle of efficiency. A commission which made efficiency the central point of departure would concern itself with a number of problems which have not been given thoroughgoing examination. It would endeavor, for example, to determine the advantages and disadvantages to wage-earners from a large industrial output. It might find convincing grounds for the view that the development and adoption of labor-saving devices would be greatly furthered if, by insurance or other arrangements, the particular workmen unfavorably affected were compensated. A thoroughgoing and unprejudiced investigation of scientific management systems is urgently needed to determine whether they can be developed under conditions which will make them of positive advantage to labor.

The efficiency approach would involve an analysis of every phase of industrial relations. It is a hopeful approach because it would emphasize an aspect which makes a strong appeal to employers and which, at the same time, though less obviously, is of vital importance to the wage-earner and to the community. Through changes in the distribution of a stationary output of the industries of the country there are only limited possibilities of

improvement. A distinct advance in leisure and in material comfort requires a positive increase in the productivity of industry.

Whether it would be advisable to establish a labor commission immediately is perhaps doubtful. Nothing should be done which would interfere with the conduct of the war. Quite apart from this consideration it is probable that the effectiveness of a commission would be served if its organization were preceded by the assembling of data which would be needed under its terms of reference. The composition of the membership of such a commission is obviously of vital importance. It should certainly include representatives of organized labor and one or more progressive employers. It should also probably include representatives of employers in industries in which there is little or no unionization at present. It is difficult to give unorganized labor adequate representation. Its interests can perhaps be fairly represented by members representing the general public interest who have no direct interest in industrial matters.

It is, of course, quite possible that in the War Labor Policies Board and other agencies of the Department of Labor adequate and effective machinery is already available. In handling the war labor situation these agencies are exerting a profound influence upon industrial relations. If at the close of the war they are regarded with confidence by both employers and employees a separate commission will presumably not be needed. If, however, they are regarded with distrust by any considerable number in either group the establishment of a commission would seem to be advisable.

O. M. W. SPRAGUE.

## THE THEORY OF RAILROAD REORGANIZATION

With the advent of the government administration of the railroads the long period of American railway building may be said to have closed. Since 1907 the amount of new construction has steadily declined, and since the opening of the Great War has been relatively less than at any time since the panic of 1873 and absolutely less than any year since 1895, so that the construction of our main railroad net had well nigh reached our economic demands a number of years before the operation of the roads passed out of private control. During this long period of nearly ninety years an institution absolutely essential to our present economic and social life has been started, nurtured through its infancy of mistakes and miscalculations, brought to a state of standardization, and finally extended into every corner of the country. As a whole, the construction of this system of transportation has progressed steadily, and in remarkably close parallelism to our economic needs. At times the progress has been temporarily interrupted by panics or temporarily stimulated by industrial booms, but in general the building of our transportation system has been systematic, well ordered, and remarkably economical of capital and natural resources. When there has been an hiatus between economic demand and railroad construction, the difficulty has arisen far oftener because of the building of a railroad before it was needed than because of the existence of an economic demand before there was a railroad to meet it. Considering all these things, therefore, the economic historian in some far future time would probably speak of this ninety-odd years as the epoch of railway construction. We do not know what policies toward the railroads will be evolved in the period following the Great War, but we do know with certainty that this first long period has developed a body of precedents, conventions, and public policies, the origins and the present forms of which we can trace with accuracy.

The present series of articles discusses one of these sets of conventions—that dealing with the financial reorganization of our American railroads. It is the analysis of the expedients—evolved through necessity—that we have applied to reestablish the financial solvency of a bankrupt railway corporation. It is at once the most intricate and in a very true sense the most fascinating aspect of railroad finance. Historically it was the last topic to settle down into clearly defined and fairly comprehensive lines of general policy.

The expedients and conventions of contemporary reorganization practice have grown up in direct response to the needs of a rapidly building railway system, not always balanced and not always financially sound in its parts. Moreover, like the railway net itself, the present practices concerning financial reorganization pertain to the period of construction and development, the period of the gradual dawn upon our intelligence of the importance of railway transportation, with the accompanying pangs of our political and social consciousness to adjust themselves to the rapidly changing economic organization that this importance demanded. It has been essentially an American problem. Our financiers have had no historical or transatlantic precedents to guide them. Notwithstanding this, the development of the theory and practice of railroad reorganization is one of the most original and noteworthy achievements of American business genius.<sup>1</sup>

This present article is concerned with the general problem of railroad reorganization and its historical aspects. The second will give an outline of reorganization procedure as now worked out by the courts and reorganization committees. The third article will discuss reorganization plans and the ends achieved in current reorganization practice.

The primary source of material covering railroad reorganization is confined to the circulars, reports, and plans published by the various committees preceding and during the actual reorganizations. These are not ordinarily accessible in themselves, but comprehensive summaries are printed in the *Commercial and Financial Chronicle*. The secondary sources are surprisingly meager, considering the importance of the subject. There is but one comprehensive study<sup>2</sup> and five or six short periodical articles.<sup>3</sup> Most of these, however, were written before the last group of railway reorganizations established a kind of definitive form for contemporary reorganization policy.

<sup>1</sup> It was well said, more than fifteen years ago, that "The reorganization of American railways is a more noteworthy achievement than the payment of the French indemnity or the refunding of the United States debt. It is noteworthy not merely in the amount of securities involved, but on account of the excellence of the principles which have guided its managers in their action." E. S. Meade, *The Reorganization of Railroads*, *Annals Am. Acad. Pol. & Soc. Sci.*, vol. 17 (1901), p. 242.

<sup>2</sup> S. Daggett, *Railroad Reorganization*, Harvard Economic Studies, vol. IV.

<sup>3</sup> Comprehensive bibliography of essays and periodical articles pertaining to railroad failures, receiverships, and reorganizations is given in Cleveland and Powell, *Railroad Finance* (1912), pp. 364-7, 369.

Most of the early railroad receiverships<sup>4</sup> and all those after 1890 were the direct result of actual or threatened insolvency, using the term insolvency to imply an inability to meet maturing liabilities. These maturing liabilities were of three kinds—the principal of a funded debt (rarely a cause of failure), interest on funded debt, and current debts for materials and labor. The immediate cause of financial embarrassment in the vast majority of the earlier cases was the inability to meet maturing interest on the funded debt; the immediate cause, of late, has been more frequently the acknowledged inability to meet current expenditures for materials. In either case, the weakened credit was only the outward sign of diminished earning power, and this, in its turn, merely the evidence of a deep-seated and fundamental weakness.

The fundamental weakness, the primal cause of the vast majority of railway failures, ever since the first crop following the panic of 1837, has been over-extension. In the earlier days of railroad building, this was extension into well developed territory without measuring the costs of construction; during the third quarter of the last century it was extension into territory insufficiently developed, economically, to maintain a railroad.<sup>5</sup> Subsequently, failure has resulted from the over-building of branch line feeders in the hope of "creating" new traffic. Of late years railroads have suffered from the weakness incident to mere size, such as combination and consolidation of financially and economically weak railway systems, the absorption of one system by another, of one group of railways by another group, or even (as has been true many times) the embarkation of the railroad in other remotely connected industries. With the over-expansion, the business as a whole earned a steadily declining rate of return on the average unit of investment. It became thinner, through a rather rigid application to the railroad industry of a kind of diminishing return on capital investment. As large amounts of money are required to meet the costs, over-expansion of a railroad, in whichever direction it occurs, has been accompanied, inevitably, by an increase in the funded debt, both relatively to the total invested capital and absolutely per mile of railroad. Two tendencies, therefore, operated at the same time, a decrease in earnings and an increase in charges on the funded debt. Ulti-

<sup>4</sup> List of exceptions cited in H. H. Swain, *Economic Aspects of Railroad Receiverships*, Economic Studies, vol. III (Am. Econ. Assoc., 1898).

<sup>5</sup> This is true of practically all the railroad failures occasioned by the panics of 1873 and 1884.



mately, when the interest charges exceeded the earnings, the company failed. But this failure was invariably postponed by the operation of palliatives; first the charges for maintenance were cut to the marrow and a large floating debt was piled up.

In view of these generalizations, surprisingly free from exceptions, considering the variety of origin, location, and administration of our railroads, it is possible to observe that every railroad reorganization must penetrate beneath the tangle of proximate causes and either lop off the parasitic wastes resulting from over-expansion or else so remould the financial plan of the railroad that the interest charges shall be less, not greater, than the net earnings. Sometimes a reduction in mileage is effected as a part of the plan of reorganization; but as the railroad management invariably ascribes the failure to superficial rather than ultimate causes the other alternative, that of recasting the financial plan so that the fixed interest charges may lie well within the earnings, is the underlying motive of every reorganization. About this, every other feature of the reorganization turns. It is felt by all concerned that failure was due to maladjustments resulting from rapid expansion, and not to the expansion itself. If, therefore, the road is permitted relief from its overpowering burden of fixed charges, it will recover its poise. Railway pioneers in earlier days, and railway expansionists in the last epoch, have been constitutionally optimists; they prescribed merely a rest for their patient, not surgery. The history of railroad reorganization practice, as we shall see presently, has been the history of a gradual realization that the rest, to be permanently curative, must be accompanied by surgery.

Reduction in fixed charges was, therefore, the primary purpose of every railroad reorganization, but it was not the only purpose. It has been stated already that a railroad on the verge of bankruptcy can postpone the acknowledgment of its failure by two means—a reduction in the expenses necessary to maintain the physical integrity of the road, and an increase in the amount of its floating debt. Both means are usually resorted to. Consequently, when failure is finally admitted through the appointment of a receiver, the court finds the road very much out of repair because of insufficient maintenance expenditures and heavily burdened by an incubus of floating debt. Formerly the rehabilitation of the road and the liquidation of the floating debt were allowed to wait until the period of reorganization, but of recent years

courts have permitted receivers to borrow money on their own certificates for these purposes. In any event, however, the plan of reorganization must provide sufficient money either to rehabilitate the road and pay its pre-receivership debts directly or else to pay the receivers' certificates which had been sold for the purpose of accomplishing these ends during the receivership. Ample new money, then, under any circumstances, is the second essential purpose of every railroad reorganization. And since the credit of the bankrupt property is low, both because of its previous history and the notoriety given to it by the fact of a receivership, outside investors will not buy its securities. The new money must be exacted from the old stockholders as the only persons sufficiently interested in the property to make sacrifices to help it in its hour of need.

While these two purposes, a reduction in fixed charges and the collection of new money from old security holders, have been the paramount issues in every railroad reorganization, they have not been accomplished by the same means. This is what makes the definition of railroad reorganization difficult if one stresses the means employed, rather than the ends achieved.<sup>6</sup> On the other hand, since the ends to be achieved are so strikingly uniform, we can define a railroad reorganization as *a comprehensive change of the financial plan, necessitated by impending or actual failure, such that the fixed charges are reduced and new money is supplied through the sacrifices of security holders.*

The means for accomplishing these ends have undergone radical changes and it is in the light of the historical aspects of the subject that the present theory and practice of railroad reorganization are best understood. Historically, the practices pursued in dealing with a bankrupt railway may be divided arbitrarily, yet with considerable definiteness, into various periods separated from each other by the successive panics. In actual experience the panic years have served as nodal points in the developments of railway finance. Weak railroads have failed in great numbers

<sup>6</sup> Two definitions that are inadequate for this reason are: "The reorganization of a bankrupt railroad is a settlement of the claims of the different parties in interest on such a basis that the property can be released by the court and again managed as a going concern." Meade, *Ann. Am. Acad.*, vol. 17, p. 203. "The term reorganization is used in this study to denote the exchange of new securities for the principal of outstanding, unmatured, general mortgage bonds, or for at least 50 per cent of the unmatured junior mortgages of any company, or for the whole of the capital stock." S. Daggett, *Railroad Reorganization* (1908), p. 335.

at those times,<sup>7</sup> and because of the greater number of decrepit railroads requiring help, these periods have witnessed the most fundamental and conspicuous changes in reorganization practice.

The first period comprises all the attempts to rehabilitate the earlier, distinctly local railroads. It extends down to the railway failures following the panic of 1857. Railroads were not reorganized in anything like the modern sense; they were merely "set a-going again"; there was no settled and established policy; the failure of each road being treated as an essentially local and individual problem. The second period extends from 1860 to the years succeeding the railroad panic of 1884. It is characterized by several relatively large reorganizations; indeed it may be said to be separated from the earlier period by the fact that in 1861 and 1862 two of the largest railroad systems had to be reorganized in more than merely local terms.<sup>8</sup> A more closely defined policy was necessary. Railroad reorganization, during this period,

<sup>7</sup> Elaborate statistical tables by J. P. Meany (*Poor's Manual of Railroads*, 1909, 33d Annual Number, pp. lxii and cxiii), giving statistics from 1884 to 1899; and H. H. Swain (*Econ. Aspects*, etc., p. 68), giving statistics from 1870 to 1897. The two compilations are by no means identical, but the discrepancies, in terms of the percentage of the country's railroad mileage, are relatively small. Summaries, also, from time to time in the railway journals (*Railway Age Gazette*, vol. LII, p. 945 and vol. LVI, p. 4). Crowell gives certain summaries for the period surrounding the panic of 1873 (*Yale Review*, vol. 7, 1898, p. 319) but does not give sources of his figures. A summary statement is given also in the *Commercial and Financial Chronicle* at the time (vol. 17, p. 647; vol. 22, p. 75). Many rough estimates have crept into use without a statement of their origin. Ripley has made a short summary of railroad failures, drawing his figures largely from the computations of Swain and has prepared an extremely enlightening diagram (W. Z. Ripley, *Railroads*, vol. II, p. 374 and following).

Some railway systems have been prolific in failures. Thus, omitting smaller lines of local significance, seven railway systems of national significance have failed and been reorganized three times: the Erie (1861, 1878, 1895); the Philadelphia and Reading (1883, 1888, 1896); the old New England Railroad (1871, 1885, 1895); Toledo, St. Louis and Western (1886, 1899, and now in 1918 awaiting treatment); Wabash (1877, 1888, 1915); St. Louis and San Francisco (1876, 1896, 1916); Missouri, Kansas and Texas (1876, 1891, and now in 1918 awaiting treatment).

Likewise some managements are conspicuously prolific in failures. Of the various component parts of George Gould's prospective transcontinental railway system all have failed at least once since the blight of Gould management touched them. Those, like the Wabash and Iron Mountain roads, which have been under this management longest have failed the greater number of times.

<sup>8</sup> Pittsburgh, Fort Wayne and Chicago in 1861, and the old New York and Erie in 1862, both about 470 miles in length.

ceased to be a matter of merely local interest, and there dawned upon the law and public consciousness the fact that a bankrupt railroad was not to be treated as a private bankrupt estate. The third period extends from 1884 to the panic of 1893. The principles of railroad reorganization as now recognized were being worked out in tentative form during this time. Railroad reorganizations had become matters of public moment. The courts had come to realize fully the public service character of railroad corporations, and the receivership and reorganization were supervised in accordance with principles then being developed in an indirect and cumbersome manner. The fourth period extends from 1893 to 1908. It includes the great railway reorganizations succeeding the receiverships due to the panic of 1893 and the following depression. The principles which were vaguely developed in the preceding period were applied to the rehabilitation of some of the greatest railway systems of the country. The fifth period comprises the latest reorganizations, especially those succeeding the railway failure of 1913 and 1914. These financial readjustments were clear cut, and remarkably simple considering the large mileage of the systems involved and the intricacies of the financial structures. The fact that these recent railroad reorganizations have been consummated so quickly, so easily, and with so little friction, is an indication that the practice of railroad reorganizations has passed its formative periods and has become crystallized along well defined lines.

In a detailed discussion of the five periods outlined above, little need be said of the first. There were many railroad failures during the thirty years from 1830 to 1857, but they were quite as much the failures of promoters as the failures of their railroads. A projected railroad underestimated its cost. The subscribed capital was insufficient to finish it, and the promoters were forced to sell more stock or more debenture bonds. In the sense of an extension beyond the available means, these early failures were analogous to those of the later periods, and in the accumulation of a heavy floating debt they were characteristic of their modern counterparts. But there was no recognition on the part of the promoters of a defective financial structure, no conscious intention to remodel the financial plan of the little railroad in accordance with its earnings. Then, too, capital stock predominated in

the financial structure,<sup>9</sup> and mortgage bonds having the theoretical right of foreclosure were not issued until the late forties.<sup>10</sup>

When the building of the partially completed road came to a standstill for lack of funds, then the promoter, the local merchants and squires, the towns and counties, or other equally restricted groups, merely bought more stocks and debenture bonds in order to complete the line. Such financial adjustments, even those following the panic of 1837 and the depression extending until 1846, were in no sense reorganizations of financial structure. They were integral parts of the practical working-out of railway promotion, episodes in the stupendous and all absorbing task of substituting steam rail transportation for older and cruder means.

But with the railway failures consequent upon the panic of 1857, a new problem arose. Fully built railroads failed for other reasons than mere unfinished construction. Several of these failures stand out clearly as analogous to the more recent failures of railway systems from the point of view of their size and the economic development of rail transportation.<sup>11</sup> We can therefore

<sup>9</sup> As late as 1855, after over 17,000 miles of line had been built, the gross funded debt amounted to slightly less than \$300,000,000, whereas the share capital amounted to \$425,000,000. On this capitalization the railroads were then operating on a 50 per cent ratio, and the net earnings for the year 1855 amounted to over \$40,000,000. This was over 12½ per cent on the funded debt. In New England and the southern states, where were located approximately half the mileage—consisting of small locally owned railroads—the net earnings were over \$13,000,000, whereas the funded debt was only \$72,000,000—earnings of nearly 20 per cent. From this it is apparent that, once built, the railroads were able to meet their fixed charges, so that the later problem of reorganization, as the problem of reducing fixed charges, was not then paramount.

<sup>10</sup> The earliest record I can find of a railroad mortgage bond, in the modern sense, was that of the Madison and Indianapolis Railroad in 1848. Historically the first idea of a railroad mortgage was the New York statute of 1834 enabling the old Mohawk and Hudson Railroad Company (New York's first railway chartered in 1826) to issue a mortgage of \$250,000 to carry on construction. In 1846 the Baltimore and Ohio issued bonds with a lien on the physical property, and in 1847 the original New York and Erie Railroad its old first mortgage bonds. (These are still outstanding, having been extended to 1947.) But these are not analogous to the modern form, being merely mortgages to specifically secure state loans, and were without covenants.

At the time of the panic of 1837, mortgage bonds were practically absent from the financial plans of New England and southern railroads. They were comparatively rare among the roads of the middle states, and the exception, rather than the rule, among the roads then built in the western states.

<sup>11</sup> The Marietta and Cincinnati, 180 miles, failed in 1838 and reorganized in

look upon the reorganizations following the panic of 1857 as initiating a new era of railroad reorganization finance.<sup>12</sup>

Characteristic of the mental attitude of the men who guided railway finance at the beginning of this period was the reorganization of the two most important railway failures of the time, the New York and Erie Railroad, the original stem of the present Erie system, and the Pittsburgh, Fort Wayne and Chicago, the western line of the Pennsylvania system.

The old New York and Erie Railroad<sup>13</sup> had been completed in 1851, but had never become prosperous. It suffered severely during the panic of 1857. Low maintenance charges had increased enormously the mere cost of operation, and these difficulties were aggravated by floods and line washouts; the road had suffered from a strike of its engineers, who antagonized the public against the road by reporting that "only boys" were running the trains. Its terminal in Jersey City was unfinished. Its treasurer, the notorious Daniel Drew, had been running competitive steamship lines and otherwise administering the road's treasury to his personal advantage. On the financial side the picture was even more disheartening. Unpaid judgments for over \$700,000 were outstanding against the company; it had accumulated a floating and unsecured debt of over \$8,000,000, and the old second mortgage of \$4,000,000 had matured and remained unpaid. The road had

1860; the St. Louis, Alton and Chicago Railroad, 225 miles, failed in 1859 and reorganized in 1862; the New Albany and Salem Railroad, 292 miles, failed in 1859 and reorganized in 1862; the Great Western Railroad, 170 miles, failed in 1859 and reorganized in 1862; the New York and Erie Railroad, 447 miles, failed in 1859 and reorganized in 1862; the Pittsburgh, Fort Wayne, Chicago Railroad, a consolidation formed in 1856 of three railroads, completed as a line to Chicago in 1858, failed in 1860 and reorganized in 1862. These last two roads were then of great importance.

<sup>12</sup> One of the interesting developments of the time was that the courts began to look upon railway receivers as administrators and managers of railway property, not merely trustees for the settlement and liquidation of private contractual obligations. For example, the courts began to tolerate constructive efforts on the part of their receivers; thus the receiver of the Columbia, Piqua and Indiana Railway was allowed, in 1858, to build some thirty-five miles of road (*American Railroad Journal*, vol. 16, p. 555; Cleveland and Powell, *Railroad Finance* (1912), p. 240, cite other later instances. The practice was not universally acknowledged, however, until the Baltimore and Ohio Railroad receivership (1896) when the court permitted its receivers to do everything private managers might do.

<sup>13</sup> Because of the fact that later reorganizations of the Erie can be used for comparison, the first reorganization of the New York and Erie Railroad only will be used for illustrative purposes.



defaulted on the interest on all its other bonds, even the interest on the old underlying first mortgage bonds. And capping all these difficulties, the road was earning actually less than its mere operating expenses. The president of the road made a hurried trip to England in the hope of inducing the British security holders to come to the rescue, but the effort was futile. Finally, in its last extremity, receivers were appointed in August, 1859.

At the time of its failure, the affairs of no great railroad system, reorganized after 1893, were in such despicable condition as those of the old New York and Erie in 1859. It had a notorious celebrity—in financial districts and in the public press.<sup>14</sup> One would presume, therefore, that the reorganization consummated under these disheartening conditions would be as drastic and comprehensive as the generally acknowledged reorganization policy of the period would countenance. Yet there was nothing either drastic or comprehensive about the reorganization finally consummated in 1862. The mortgage bondholders were required to make no sacrifices whatever, the small assessment of only 2 1/2 per cent levied on the stockholders being used to meet their overdue coupons. The large floating debt was funded into preferred stock. On the whole, the position of the common stockholders was distinctly stronger, in so far as the menace of a floating debt nearly as large as the common stock<sup>15</sup> had been permanently funded into a type of security having merely a contingent lien on earnings. Although probably the most disheartening failure, all things considered, of a prominent railroad, its reorganization is almost unique in the small amount of sacrifice demanded from any of the security holders.

In 1875 the Erie Railway failed again, after the panic of 1873. Again it was one of the most severe and far-reaching failures of the time. And again the individual conditions surrounding the failure were almost as disheartening as those of 1859. Nevertheless the reorganization of 1878 was consummated on the basis of funding into 7 per cent bonds overdue coupons on certain junior issues of bonds<sup>16</sup> and making a small assessment on the stocks.<sup>17</sup>

<sup>14</sup> All the mortgage bonds, even the old first mortgage bonds of 1847, were quoted at merely nominal figures, and the stock was difficult to sell at two or three dollars a share.

<sup>15</sup> Prior to the reorganization the floating unsecured debt amounted to \$8,500,000 and the common stock to \$11,000,000.

<sup>16</sup> The funding of coupons into bonds of the same general tenor was a frequently used method of securing temporary relief from a pressing burden of fixed charges, during the reorganizations of the middle and late seventies

The significant change from the preceding reorganization was the funding, for a short time, of alternate coupons on certain junior bonds. This, to a very limited extent temporarily reduced fixed charges, whereas in the earlier reorganization no effort was made to effect even a temporary reduction in fixed charges. In other words, although both failures were severe, neither reorganization demanded any sacrifice from the security holders at all consonant with the severity of the failure, and the only significant difference between the two reorganizations was that in the one following the panic of 1857 neither a temporary nor permanent reduction in fixed charges was accomplished, whereas in that following the panic of 1873 there was achieved a small temporary but no permanent lessening of the fixed charges.<sup>18</sup> And this was the general temper of all the important reorganizations following the panic of 1873. As one keen observer remarked, "the railroads which failed in the early seventies were not really reorganized—they were simply galvanized."<sup>19</sup>

The railroad panic of 1884 initiated numerous failures. There were many half finished railroads, the failure of which was like that of the early railways of the Eastern Atlantic states following the panic of 1857;<sup>20</sup> there were other competitive railroads

and early eighties. It was, for illustration, a prominent feature of the reorganization of the St. Louis, Iron Mountain and Southern in 1878.

<sup>17</sup> Four per cent on the common and 2 per cent on the preferred. But the shareholders could pay, if they preferred, half again as much (6 per cent on the common and 3 per cent on the preferred) and receive income bonds for the assessment. Most of the shareholders elected to pay the smaller payments.

<sup>18</sup> Details covering the failure and reorganization of the New York and Erie are best obtained from E. H. Mott, *The Story of the Erie*, page 123 and following; S. Daggett, *Railroad Reorganization*, page 35, gives a short epitome, but the account is inadequate to the historical importance of the episode. The details of the second failure and reorganization are best obtained from Mott and the fuller account in Daggett, pages 37-50. Also see *Commercial and Financial Chronicle*, vol. 21 (1875), p. 612; vol. 28 (1879), p. 67; vol. 29 (1879), p. 358; and Hepburn Committee Report, vol. 2, p. 252.

<sup>19</sup> J. F. Crowell, "Railway Receiverships in the United States," *Yale Review*, vol. 7 (1898), p. 326.

<sup>20</sup> Types of such failures were the first failure of the Atchison, Topeka and Santa Fe Railway, consequent upon its growth from 2,800 miles in 1884 with net earnings of over \$7,000,000, to over 7,000 miles in 1888 with net earnings of less than \$7,000,000. Of lesser moment, yet of the same character in being failures of unfinished poorly constructed, half developed railway systems, located in different parts of the country, were the Denver and Rio Grande Railroad, failed in 1884, reorganized in 1885; the Florida Railway and Navigation Company, failed in 1885, reorganized in 1888; the Houston and

which were built, in fully developed territory, for the single and often avowed purpose of being bought out by stronger rivals, but which were too weak even to initiate the struggle, much less carry it to a successful issue.<sup>21</sup> But fully characteristic of the reorganization policy of the period, as it showed itself in the reorganization of a fully developed and completely articulated railway, was that of the Wabash, St. Louis and Pacific Railway,<sup>22</sup> the antecedent of the present Wabash Railroad. The road failed May, 1884; it was the first of our great American railway systems to throw itself into the hands of receivers.<sup>23</sup> The fundamental reason for this failure was over-extension of branch lines.<sup>24</sup> It embraced

Texas Central Railway, and the Houston East and West Texas, both failures in 1885 and reorganized, the former in 1888 and the latter in 1892 (both now important parts of the Southern Pacific's Texas lines.)

<sup>21</sup> Two of these buccaneering enterprises did much to bring about and make serious the railroad panic of 1884. The old New York, West Shore and Buffalo was built along the west bank of the Hudson River for no other purpose than to create a "nuisance value" to the Hudson River Railroad. It failed in 1884, with only 475 miles of line but the enormous capitalization of \$40,000,000 of stock and \$70,000,000 of bonds. It was reorganized the following year at great sacrifice to the security holders, very unusual for the period. (The first mortgage bondholders were forced to accept 50 per cent in new bonds). The New York, Chicago and St. Louis Railway was built in the early eighties to parallel the Lake Shore and Michigan Southern Railway. It failed in 1885 and was reorganized in 1887.

<sup>22</sup> The history of this road is illuminating and typical of the growth of our American railway systems. It was formed in 1879 as the consolidation of the old Wabash Railway and the St. Louis, Kansas City and Northern Railway. The former, the old original Wabash Railway, was organized in 1877 out of the Toledo, Wabash and Western Railway. This latter represented a consolidation, in 1865, of the Great Western Railroad, the Toledo and Wabash Railroad, the Quincy and Toledo and the Illinois and Southern Iowa Railways. The Great Western was a descendant, after failures and reorganizations, of the original Sangamon and Morgan Railroad which was begun by the state of Illinois in 1838.

The other unit of the Wabash, St. Louis and Pacific, the St. Louis, Kansas City and Northern Railway, was a reorganization of the North Missouri Railroad, an enterprise chartered in 1857 to build a line from St. Louis through the northern sections of Missouri to Coatsville on the Iowa line.

<sup>23</sup> The significance of this classic case will be discussed in detail in the second of these articles on reorganization procedure.

<sup>24</sup> This was very clearly stated by the editors of the *Commercial and Financial Chronicle* at the time. "The Wabash, St. Louis and Pacific extended its lines very widely in the years 1879 to 1882 by the acquisition of branch and connecting roads, and thereby assumed heavy liabilities. Although the earnings increased largely, the annual liabilities were still far in excess of the net earnings." (46 Chron. Inv. Sup. 2, 139, March, 1888.)

over 2,000 miles of line, about two thirds east and a third west of the Mississippi.<sup>25</sup> For a while, the system was operated in two equal parts and the parts emerged from receivership separately,<sup>26</sup> but the reorganization plan, with its successive modifications, contemplated a single unified system. This was necessary in order that the road might develop from a heterogeneous mass of independent main lines and foolishly and improvidently constructed branch lines. There were outstanding at the time thirteen separate issues of divisional first mortgage bonds, bearing interest averaging nearly 7 per cent,<sup>27</sup> several issues of second, third, and general mortgage bonds bearing 7 per cent interest. In addition there was the large amount of \$16,000,000 general 6 per cent bonds and some \$6,000,000 of 6 per cent collateral trust bonds. In addition to all this debt there was \$27,000,000 of common stock and \$23,000,000 preferred stock. The first plan of reorganization<sup>28</sup> contained two radical provisions. It contemplated the exchange of the \$22,000,000 of the general and the collateral trust bonds, both bearing 6 per cent fixed interest, into 6 per cent debenture bonds, bearing 6 per cent interest, payable if earned (income bonds). In other words, the road was to be given a temporary "rest," in that a fixed charge of \$1,300,000 was changed to a contingent charge. The second radical provision was that the old preferred stockholders were to be assessed 8 per cent a share, the old common stockholders 6 per cent a share (the new income bonds to be given for their assessment), and the old general and collateral trust bonds 2 per cent. In other words, besides having their interest made contingent on earnings, the old junior bondholders were actually assessed. But the reorganization managers were not satisfied with merely a temporary reduction in fixed charges. In a supplementary plan, under the thor-

<sup>25</sup> When the Wabash, St. Louis and Pacific Railway failed in 1884 it was then operated by the St. Louis, Iron Mountain and Southern, and the entire system exceeded 3,600 miles. The text above is pertinent to the reorganization of the Wabash, St. Louis and Pacific Railway proper, as the Iron Mountain lease was broken about a month after the receivership, and the leasehold rights on several of the least important western branches were abrogated.

<sup>26</sup> The Wabash Western Railway included the 641 miles west of the Mississippi River and 362 miles east—1,004 miles in all—emerged from the receivership March, 1887. The Wabash Railway included 948 miles east, extending from Toledo to East St. Louis and branches, emerged from receivership in May, 1889.

<sup>27</sup> Eight issues, 7 per cent; 4 issues 6 per cent; and 2 issues 5 per cent.

<sup>28</sup> September 1, 1885. Digest 41 Chron. 30 (1885).

oughly justifiable excuse of effecting a consolidation and coherent structure of the Wabash lines, the reorganization managers forced, through separate foreclosures, the holders of upwards of nine of the old underlying first mortgage bonds, bearing an average of nearly 7 per cent interest,<sup>29</sup> to accept new 5 per cent bonds issued under a blanket first mortgage. And they forced all the holders of the underlying second mortgage bonds, mostly bearing 7 per cent, to accept new 5 per cent bonds issued under a blanket second mortgage.<sup>30</sup> In brief, the great Wabash reorganization, a landmark in the history of reorganization practice, not only collected an assessment on stockholders and junior bondholders and made contingent on earnings the interest on two large issues of junior bonds, but it also solidified into two senior blanket mortgages, bearing a low interest rate, practically all the underlying high interest bearing bonds—a permanent reduction of fixed charges. Of course, in actual percentages of total charges, the reduction of fixed interest was small and the treatment of the junior bondholders in giving them income bonds with a mortgage lien was not in any sense drastic. The point of importance is that in this historically important reorganization of a great railway system in the late eighties there was some permanent as well as temporary reduction in fixed charges and a distinct, although light, sacrifice was required of all the old security holders, including even the senior underlying bondholders.<sup>31</sup>

<sup>29</sup> Two of these issues, the Toledo and Illinois first 7's and the Lake Erie, Wabash and St. Louis first 7's, had been outstanding since 1853.

<sup>30</sup> These second mortgage 5 per cent bonds were further weakened by the fact that foreclosure suit could not be brought until 18 months after default of interest.

<sup>31</sup> It should not be understood that even this leniency toward security holders, shown in the reorganization of the fully articulated Wabash system was exercised in the reorganization of the partly finished or "nuisance value" railroads mentioned in notes 20 and 21. On the contrary a very wholesome scaling of fixed charges was gradually coming into the consciousness of railroad promoters, though it had not yet reached the understanding of operators of completed systems. In the reorganization of the incompleted Northern Pacific, following the panic of 1873, all the bonds were refunded in a preferred stock. The first mortgage bonds in the New York, West Shore and Buffalo reorganization were scaled down 50 per cent. Many instances existed, then as now, in which the bondholders of unfinished or recently promoted railroads were asked to endure drastic sacrifices. This in no wise affects the strength of the generalization, presently to be developed, that the early reorganization policy for completed, going railroads involved little sacrifice on the part of the security holders. On the other hand the general leniency in the reorganization of completed, operating railroads is illustrated

The panic of 1893 was prolific in railway failures. And the failures were chiefly, unlike those of the preceding panics, of completed, well established, and highly organized railway systems. One of the earliest and most conspicuous of these was the failure in the early part of 1894 of the Atchison, Topeka, and Santa Fe Railway. The system embraced over 7,000 miles of line and constituted then, as now, the only single railroad reaching from Chicago to the Pacific coast. It had been reorganized in 1889, after a period of abnormal and fictitious growth, by the refunding of a multitude of small issues of bonds into two blanket issues of bonds, carrying low fixed charges. But in the intervening years the road had increased its mileage by the acquisition of one railroad after another, without regard for financial expediency or even future solvency. Later, when an independent expert had audited the books it was found that there had been an average deficit of over \$1,250,000 for the years from 1891 to 1894, notwithstanding the fact that the company had falsified its books so as to represent an ample annual surplus for each year.

The stocks and bonds of the Atchison were largely held in England. Of the bonds there were outstanding \$150,000,000 first mortgage 4 per cent bonds and \$84,000,000 second mortgage bonds, then carrying 3 per cent interest. The interest charges had not been earned since 1891 according to the independent auditor, and in addition the road had current debts of \$11,000,000. But the English bondholders, solicitous of their interests, proposed in an immediate plan of reorganization merely to refund the second mortgage bonds, then carrying 3 per cent fixed inter-

by the two reorganizations of the Philadelphia and Reading of 1882 and 1887. They point even more clearly to the leniency of early railroad reorganizations when one considers that in the fifteen years between 1880 and 1895 the Reading was in the hands of receivers for an aggregate of over ten years. (For details of the Reading reorganizations see the full account in Daggett, *Railroad Reorganization*, chapters III and IV.) In the reorganization of 1882 the only relief afforded the company was the sale of some senior bonds to fund upwards of \$12,000,000 of floating debt. No sacrifices of any kind were demanded of stockholders or bondholders, although the year before the receivership the fixed charges on the debt amounted to \$7,500,000 and the net earnings—with inadequate maintenance—to only \$5,500,000. In fact the fixed charges were absolutely increased by the reorganization from \$7,700,000 to \$11,500,000—a net increase of 50 per cent (Daggett, *Railroad Reorganization*, p. 337). In the reorganizations of 1887, after a receivership of nearly three years, a receivership brought on by fixed charges of over \$16,500,000 with net earnings of less than \$13,000,000, the remedy adopted was the paying off of the floating debt by the issue of new general mortgage bonds.



est, into income bonds carrying 5 per cent. The second mortgage bondholders were not assessed, and the 5 per cent income bonds offered them were, considering the future as well as the present, quite as valuable as the bonds they surrendered. The stockholders were to be assessed and the proceeds used to pay part of the floating debt and the overdue unpaid coupons on the old bonds. As one writer observes: "The notable part of the scheme was the anxious care of the bondholders to protect themselves."<sup>32</sup> Subsequent realization of the seriousness of the failure made the American financial interests realize that the English bondholders' plan was an ineffectual and selfish palliative.

A new, broad reorganization policy was dawning upon the consciousness of both bankers and investors, which required that a reorganization to be well done must be thoroughly done. And when the final Atchison plan of reorganization was adopted in 1895, it expressed fully this awakening consciousness. The old 4 per cent first mortgage bondholders, having a prior lien to the entire system, were forced to accept 75 per cent of the principal in new 4 per cent bonds—a cutting of both principal and interest by 25 per cent. To make up for the loss, they were given 40 per cent in new 4 per cent income bonds. The second mortgage bondholders were required to surrender their bonds for preferred stock, and to pay an assessment of 4 per cent.<sup>33</sup> In other words, they were forced to accept the position of losing partners in the enterprise, not creditors.<sup>34</sup> This change from the English bondholders' mild and superficial reorganization plan to that finally adopted by the American financiers, was, in a very true sense, a crucial change in the historical evolution of our reorganization policy. The former was a makeshift palliative; the latter was a thorough, comprehensive financial readjustment. And the fact that the former was rejected and the latter accepted indicated that a mere palliative with a minimum of sacrifices and a temporary, not permanent, decrease in fixed charges was no longer re-

<sup>32</sup> Daggett, *Railroad Reorganization*, p. 207.

<sup>33</sup> The statement of the reorganization committee, pointing out the necessity of the drastic sacrifices required of the second mortgage bondholders has been frequently quoted: "It was not thought that a greater assessment than \$10 could be raised from the stock, and the remainder had to come from the junior bonds."

<sup>34</sup> Details of the two Atchison reorganization plans are given in Daggett, *Railroad Reorganization*, pp. 206, 211; in which references will be found to the original sources.

garded as a sufficient readjustment to render sound and stable a bankrupt and impoverished railroad system.

The reorganization of the Atchison Railway was among the first of the great railroad reorganizations following the panic of 1893. It was prophetic of the new spirit. Already in the Wabash reorganization, outlined above, the new order began to show itself. But in the contrast between the English bondholders' and the final plan of the Atchison, the contrast between the old and new orders stands clearly defined. It marks the transition, historically, from the third to the fourth period of reorganization policy, outlined in the earlier paragraphs of this article. And this means more than a mere academic distinction. For the line of demarcation between the great railway reorganizations prior to that of the Atchison in 1895 and those contemporary with it and following it is more distinct than that between any other of the historical periods.

From the first Erie reorganization down to the English bondholders' Atchison plan, a period of thirty years, there had been a growing realization that a railroad reorganization, to be permanently successful, must be drastic and comprehensive. But this realization was of slow growth.<sup>33</sup> Lawyers stuck to the legal phraseology of bonds and mortgages, insisting that the contractual rights of bondholders must be protected at all hazards, and investors were intolerant and obstructive if forced to submit to anything more than the most superficial and temporary sacrifices.

There were several significant motives to explain the comparative leniency with which bondholders were treated in the reorganizations prior to 1895. All men assumed that the railroad industry was inherently profitable, and would grow as the resources of the United States were developed. And this being the case, increasing prosperity might be expected to absorb any ordinary burden of fixed charges which might be placed on a railroad. In many cases it was presumed by over-confident reorganization managers that even an extraordinary burden could be carried,

<sup>33</sup> The view here taken, that bondholders were treated more leniently in the earlier reorganizations is different from the judgment of Meade, who has contended that the position of the bondholder has been stronger since 1893 than before (*Ann. Am. Acad.*, vol. XVII, p. 332). The view expressed here seems to be in agreement with Crowell (*Yale Review*, vol. 7, p. 319). It is also implied by the exhaustive statistics of Meany (1900, *Poor's Manual of Railroads*, pp. lxxxix and cvi) and specifically given by Daggett's statistics and suggested by his statements of comparison. (Daggett, *Railroad Reorganization*, pp. 358, 363.)

provided drastic competition could be, for the moment, alleviated. Again, the courts showed every inclination to protect the bondholder, should he object to any sacrifice of principal or interest that a stockholder management might wish to impose upon him. By resorting to a variety of legal steps, the bondholders could impede, perhaps frustrate, the reorganization. Further, by no means least important, there was the fact that a large proportion of the bonds of our American railroads were held in England and on the Continent.<sup>36</sup> These foreign bondholders acted as a unit against any effort to emasculate their position. They could not be prevailed upon to relinquish any of their literal rights so long as any equity remained to the American stockholders; and the American stockholders refused to relinquish their shadow of an equity because of their inherent confidence in the ultimate prosperity of the railroad industry.<sup>37</sup>

These few historical cases and the generalizations one may draw from them refer to a period of railway finance long since past. Beginning with the crisis of 1893 the motives outlined above that controlled the previous reorganization practice ceased to dominate reorganization managers. A new era of financial history dawned, and with it a new policy toward railroad reorganization. No longer were there any scruples shown in the treatment of the bondholder. Forced by the obvious plight in which the railroads of the country found themselves in the depression from 1893 to 1897, people generally recognized that only through the most drastic cutting of fixed charges, accompanied by large investments of new money, could the bankrupt and impoverished roads be rehabilitated. No longer did the reorganization plans show the dictation of English bondholders who, by delaying their consent, could impede the reorganization; no longer did the courts aid the

<sup>36</sup> After a rapid survey of the railroad receiverships consequent on the panic of 1873, Crowell states: "One hundred and fifty millions, or 15 per cent of the American railway bonds in default at the end of this, the first great crisis in this class of securities, were held in foreign countries, largely in Germany, Holland and England. This was about 40 per cent of the entire amount of foreign holdings of American railway securities." Crowell, *Yale Review*, vol. 7, p. 324.

<sup>37</sup> Crowell gives what might be considered another reason, namely, that "many of the mortgages could not be foreclosed at all, because the State had endorsed the bonds and had the right of foreclosure, which it did not exercise because it did not want the road or did not want to sacrifice the property by a forced sale in the midst of financial depression. The State could not be sued on its endorsement." (*Ibid.*, p. 326.)

"striking" bondholders. And, finally—perhaps more prophetic of the new period—men no longer assumed that the railroads would become prosperous, ultimately, no matter what burdens they were compelled to carry.

Many reasons explain the change of opinion. At every period of financial history, those reorganizations consummated at the time of a financial panic or business depression are more drastic than those consummated during a period of business prosperity. Then, too, the influence of the late J. P. Morgan was dominant and worked in every instance for the distribution of sacrifices and the casting of the financial pattern according to actual earnings. But most of all there was a common consciousness that the era of promotion was past and that the restitution of confidence in the industry required that the railroads be given a definite economic stability and their bonds made a secure investment. To accomplish this, sacrifices were required of all who took part in the period of promotion and extension, and permanent protection for those who, in the hour of need, showed their confidence by contributing new money. In attaining these ends the old bondholders were called upon to play their part. As a result of the drastic reorganizations of the period of the middle nineties, the railroads of the country emerged with new life, rehabilitated physically by investment of capital, and freed from overburdening debt.

As a result of the thoroughgoing and drastic reorganizations of the large railway systems, following the panic of 1893, principles of reorganization practice were thoroughly established which were applied with uniform precision to the recent railway failures—those occurring in the last period since the panic of 1907. Omitting, for the purpose of this introductory survey, confusing exceptions and unimportant details, one may summarize contemporary reorganization practice in the following general terms.

As far as the formal procedure is concerned, a reorganization brings about an adjustment—represented usually by a compromise—between the strict construction of the legal obligations of the various security owners and creditors of the road, and the necessity, from the public point of view, that the railroad maintain its service as a solvent, responsible and progressive corporation. It is the balance between private and public interests. While pretending to hold to the strict construction of the law, the courts have been inclined to allow all interests, no matter

what their equable rights might be, to participate in the reorganization provided an improved railroad service can be promised to the public. Neither state nor federal laws have much to do with determining the character of railroad reorganization, the courts allowing the parties most concerned to work out any plan that is expedient and approximately just, provided it is socially and economically sound. And the resulting compromise between the strict rights of the bondholders, the welfare of the public, and the blasted hopes of the stockholders, is based on expediency tempered by justice, rather than justice tempered by expediency. It is carried through under the sanction of a system of law which has grown up as a response to the peculiar economic conditions of a new country, a system of law which has sought to preserve the form of a legal practice existing long before railroads were conceived, while modifying its substance to meet the actual conditions of railroad success and failure in this country.

As far as the specific results are concerned, the present practice rests, as has been previously suggested, on the elemental principle that two primary ends must be achieved in every railroad reorganization. The more immediate, but less fundamental, is the creation of a fund of money, obtained primarily by a levy on the stockholders, out of which to pay the accumulated debt at the time of the receivership, the improvements of the road during the receivership, the expenses of reorganization, and finally to provide the means that shall keep the reorganized road from incurring new floating debt during the period of its rehabilitation. The second end is the reduction in fixed charges. The letter of the railroad mortgage bond has come to be nothing more than mere legal verbiage, but if the property covered by the mortgage has earned its charges the mortgage is allowed to remain and the bondholders are not asked to make sacrifices. If, on the other hand, the property behind the mortgage has failed to earn its charges, the bondholders are forced to accept a lessening, perhaps a total extinction, of their rights to demand a fixed income. They may object, but they are powerless to resist, except by acquiring the actual property itself at foreclosure sale, and the failure of their property to earn its charges prior to the receivership gives little promise that its earnings will be better after the bondholders themselves have exercised the letter of their legal rights and acquired the actual operation of the road alone. We have here another illustration of the fundamental truth that the economic

value of physical property is no greater than its inherent earning capacity.

The syndicate of bankers that is called into existence to finance the reorganization will probably dictate the plan.<sup>38</sup> Normally the plan will provide for the formation of a new corporation which shall take over the assets of the old one, subject to such underlying liens as are not affected by the reorganization. The syndicate is then in a position to issue entirely new securities which are superior to every liability of the old corporation except the undisturbed prior lien bonds. Such new securities are ordinarily of three classes. They may be designated as the fixed charge, the contingent charge, and the common stock securities. The first class will consist of a large issue of general mortgage bonds, having a small interest rate, the total aggregate of which is less than the net earnings of the railroad during the receivership. The second class will be income bonds or non-cumulative preferred stock—preferably the latter—the interest or dividend payments of which, together with the interest on the other bonds, will increase capital charges to the maximum income prior to the receivership. The third class will be the common stock, large in amount, but having no fixed or contingent charge, and distributed freely in order to placate the sacrifice of the old security holders.

The plan will propose as well to secure new money in order to pay the floating debt, the receivers' certificates, and to improve the physical property of the road. This new money will come from two independent sources. A syndicate will purchase of the new corporation a block of the new fixed-charge, general mortgage bonds, referred to earlier. The holders of the stock and possibly the junior bonds of the old corporation will be taxed or assessed as much as they can be induced to pay for the privilege of belonging to the new corporation. For this willingness to contribute money to the rehabilitation of the corporation, they will be given participation in the new road. This participation is usually represented by a combination of contingent charge securities and common stock. To assure the new road of the proceeds of the assessments, the syndicate which has undertaken to buy a

<sup>38</sup> The reader must remember that the next few paragraphs express merely general principles to which all railroad reorganizations more or less conform. The more recent the reorganization, the more nearly it conforms to this type. Nevertheless, exceptions to every one of the following principles abound. Details, variations, and exceptions, when significant, will be discussed in two succeeding articles.



part of the issue of general mortgage bonds will probably agree to pay the assessment demanded of any delinquent stockholder and assume his rights in the new corporation.

The same idea can be restated in the uses to which the three new classes of securities are put. The bonds involving fixed charges are taken in exchange for all or part of those of the old bonds which can justly claim that their interest has been earned and will be earned under all circumstances, and the rest are sold to the syndicate for money. The securities bearing contingent charges, together with the common stock, are given, in varying combinations, to the holders of those old bonds, the interest on which had not been fully earned, and to the stockholders, on condition of the payment of a certain tax or assessment. As a result of these transformations, the almost invariable consequence of every railroad reorganization since 1895 has been that the road emerges from its troubles with a lower fixed charge against income but with a higher total capitalization. The bonds and the fixed interest charges are reduced; but the par value of the preferred and common stocks increased, from the necessity of distributing these securities freely, in return for the sacrifices made by the old junior bondholders and stockholders. We are thus presented with the striking anomaly that the bankruptcy of a railroad corporation leads to a direct increase of its total issued securities. We are also presented with the even more striking anomaly that in the presence of financial failure and its consequences the public service character of a railway corporation is brought most clearly into evidence.

ARTHUR S. DEWING.

## REVIEWS AND NEW BOOKS

### General Works, Theory and Its History

*The Real Business of Living.* By JAMES H. TUFTS. (New York: Henry Holt and Company. 1918. Pp. vii, 476. \$1.50.)

I believe this book should be used in every high school and in the freshman or sophomore class of every college. Not because it is merely elementary, for it is also a notable contribution to the methodology of all the social sciences. It is both an introduction and a culmination, as it were, of history, economics, law, ethics, and citizenship. The task set for himself by the author was large enough. Its execution is admirable. The book is readable, first of all, teachable and practicable in everyday life. The historical and comparative method here reaches about as ripe fruition as can be found anywhere and contributes not only to science but to common sense.

The outstanding character of the book is the use made of class struggles, class ethics, class legislation, and class ideals. It is this that lifts the subject out of individualistic ethics, law and economics, and connects the individual through his class, with the larger notions of public welfare. And here is where history, in his hands, achieves unique success. British and American history seem to be living with us in the present when we see our notions of honor, courage, liberty, equality, honesty, fairness, private property, public service, and so on, unfolding from the ideals of the warrior class, the merchant, and the industrial classes. This is because the common law, the law merchant, and equity jurisprudence are made, to a large extent, the source material of the book, and because individual and collective bargaining, rather than politics or wars, is the central theme of the *Real Business of Living*. The law is seen to emerge as the conclusions of collective bargains between king and barons, or merchants, between landlords, merchants, employers, tenants, laborers, or as the rules of the game which come to satisfy the community in individual bargains.

From this common-sense point of view, which makes negotiation and bargaining the central theme, it is a matter of course that all the attendant subjects of ethics, law, economics, government, politics, democracy, and even wars, should fall into place naturally and without metaphysical straining for ultimate or abstract principles. The unity of all the social sciences is preserved be-

cause they all radiate from the everyday negotiations that are going on individually and collectively. Economics is not production or exchange, but bargaining; ethics, religion, and law are the rules; politics and government, corporations and unions are the collective agencies; history is the living process; and the problems of today have a big equipment for their solution derived from this inheritance. It is this satisfying unity of the whole subject that makes the book so readable and teachable, besides making it an introduction and a compendium of all the social sciences.

Of course, in dealing with present-day problems the author runs into unsettled issues, where it would require many more books to discuss the pros and cons. Here the problem is left for the several special sciences, but not left in the air, for the issues are distinctly stated and the standards of judgment have already been clearly furnished for their solution. The present problems are narrowed down to "liberty," "union," and "democracy." Liberty has shifted from freedom from oppression by government to freedom through business and industry. The problems of union are the race problem, capital and labor, and conservation of natural and human resources. The problems of democracy are the checks and balances, the invisible government and the long ballot that obstruct self-government and equality. The economic problems, growing out of the industrial revolution are treated at considerable length under the head of "problems of coöperation and right in business," leading up to good faith, reliability, responsibility, public welfare, fair price, fair wage, and fair competition, and these constitute a well analyzed introduction to modern economics.

Altogether, considering the many problems of reconstruction forced upon us by the war and the evident responsibility of our educational system to prepare for them, Professor Tufts has done an important service in simplifying the elementary instruction in civics and especially in giving to economics a real place in that instruction.

JOHN R. COMMONS.

*University of Wisconsin.*

*Profit and Wages. A Study in the Distribution of Income.* By G. A. KLEENE. (New York: The Macmillan Company. 1916. Pp. iv, 171. \$1.25.)

Thinkers approaching this little book with the conviction that there is a supreme advantage in treating the rate of interest as a

price, as Cassel has demonstrated so brilliantly (*The Nature and Necessity of Interest*, 1903), will be surprised to observe that Professor Kleene, at the outset of his treatment (pp. 9-10) considers it "advantageous . . . to forget the existence of money and to think of commodities and services as exchanged by barter." As they proceed to follow his critical examination of current theories of interest—Boehm Bawerk's, the time-preference and abstinence theories, the productivity theory—they will be struck again and again by the reflection that the inadequacy revealed in these theories by Professor Kleene, has been already revealed more tellingly by Cassel. Closer examination shows that Professor Kleene nowhere makes reference to the work of Cassel, so it must be assumed that he is unacquainted with it. The extent of this misfortune can scarcely be overestimated. It handicaps the author, both in the critical and in the constructive parts of his work.

When Professor Kleene comes to the development of his own theory of profit and wages, however, called by him "the residual claimant theory," we are called upon to examine it seriously. It is based upon the identification of capital with advances to labor. Taking the capitalistic process as a whole, and ignoring the transactions by which some capitalists sell 'intermediate goods' to other capitalists, he points out that what the capitalist class does, as a whole, is to make the necessary advances of wages, and of wages only—a "wage fund." How much, in the aggregate, they can and do advance he believes to be "determined independently of the rate of profit and of the value of the product" (p. 114); it is determined, rather, by the amount of surplus (real) product achieved by the capitalistic process of production as compared with the direct process, and by the necessity of paying (real) wages at least as high as laborers can make "in old world countries," or "under pre-capitalistic conditions." The former amount, apparently, is to be taken as a maximum, the latter as a minimum. So we have what Professor Kleene frankly presents as modernized forms of the wages-fund theory and the subsistence theory.

For this theory of distribution Professor Kleene claims four chief advantages. (1) It accounts for the *general level* of wages, whereas the marginal productivity theory accounts only for differences in comparative wages; (2) it avoids the necessity of reasoning in a circle, through comparison of *values* (that of the capital and that of the income), to account for the rate of interest; (3) it explains why interest is made on the "payroll" as well as on the

"capital goods"; and (4) it bears some significant relation to the objective facts of the business world and avoids the barren scholasticism of so much recent theorizing, especially that of the "subjective valuationists."

The essential validity of Professor Kleene's contention will not be easy to determine.

The first question to be raised in an attempt to weigh the contention, relates to its most fundamental assumption. Is it true that "we are driven to a choice between two theories of *residual income*" (p. 104)? Unless we find (aggregate) profit to be independently determined, are we then obliged to find (aggregate) wages independently determined, the other share being left in each case as residual? Or are these two shares, on the contrary, determined chiefly by interdependent causes? One who holds that the rate of interest is a price will maintain that causes acting solely upon the one share or the other are relatively unimportant, and that causes acting upon both are relatively important. He will call attention to the crucial importance of the relative prices at which comparable units of labor and of capital happen to be selling. So he will uphold the proposition that factors operating upon either side of the labor market, or upon either side of the market in which the use of capital changes hands, could not fail to influence both the rate of interest and the rate of wages and the consequent distribution of the social income.

The wages paid and the capital advanced, it seems to me, may well be identified, as Professor Kleene identifies them. What else does it mean when we speak of the function of the capitalist as that of waiting? Do we not mean that the capitalist class does practically all the necessary waiting, and that all the waiting performed is occasioned by reason of the necessity of advancing wages? It seems to me that we do—but that we include, also, an element overlooked by Professor Kleene: we include the element of time, saying that wages to a certain amount are advanced for a month, or a year. Without the element of time, there is no way to measure the amount of the waiting, nor to calculate its value. It is this inadequate appreciation of the two-dimensional character of waiting that causes Professor Kleene trouble in making his wages-fund determinate. For unless the production period is fixed, say by mechanical considerations, it may vary with changes in the rates of wages and interest, and is not independently determined.

At a time when the current of economic thinking has for some time been running strongly in the direction of particularistic and concrete studies in so-called practical fields, Professor Kleene, by attempting to solve fundamental problems of theory at all, has earned the right to special commendation. He deserves credit also for recognizing that the characteristic method of economic theory is hypothetical, the method of successive approximations, and for exhibiting an example of the method that is far above the average. Students of economic theory, more especially general theory such as seeks for fundamentals, can read this book with advantage—for whether its thesis turns out to be true or not its stimulation to fundamental thinking is genuine. And those theorists who are still unwilling to place the price concept at the center of interest will welcome an earnest attempt like this one to show what can still be done without capitulating to the opposing camp.

CARL E. PARRY.

Ohio State University.

#### NEW BOOKS

DUNCAN, K. *Exercises in elementary economics*. (Canton, China: College Bookstore, Honglok. 1918. Pp. 72. \$1.50.)

Prepared to supply students in Chinese colleges with a convenient laboratory manual.

FOLWELL, W. W. *Economic addresses*. (Minneapolis: Bull. Univ. Minn. 1918. Pp. 99. 50c.)

The addresses are on the following subjects: the ethics of business, trusts, single tax, socialism true and false, and the new economics.

McKITRICK, R. *Outlines and exercises in economics*. (Cedar Falls, Iowa: College Drug and Book Store. 1917. Pp. 137.)

Not intended as a textbook or a substitute for a textbook, but rather as a supplementary laboratory manual. Outlines are given under forty-one topics and with each outline there is a series of questions with references to the more important general and special texts. There are a few extended excerpts from books not readily accessible. The volume should prove helpful to the teacher of elementary economics, particularly in smaller colleges where library facilities are limited.

READ, H. E. *The abolition of inheritance*. (New York: Macmillan. 1918. Pp. xxvii, 312. \$1.50.)

#### Economic History and Geography

*The Chartist Movement*. By the late MARK HOVELL. Edited and completed, with a memoir, by T. F. TOUT. Publications



of the University of Manchester, No. CXVI. Historical Series, No. XXI. (New York: Longmans, Green and Company. 1918. Pp. xxxvii, 327. \$2.50.)

In order to form a correct appreciation of this book, the reader must bear in mind the peculiar conditions under which it was prepared for publication. The chief matter in the volume, contained in chapters 1 to 17, was prepared in much its present form by Mr. Hovell for use in his lectures at the University of Manchester; the long concluding chapter which carries the history of Chartism from the failure of the petition in 1842 to the death of the movement in the following decade is the work of the editor, Professor Tout, who undertook to see the book through the press upon the death of the author on the battlefield in France (p. vii). This dual authorship accounts for the rather sharp break both in style and method between the last chapter and the rest of the volume, as it also explains the somewhat erratic and uncertain literary form throughout, which gives evidence that the rough draft left by Hovell required in places extensive connective tissue from another pen.

The book is a very interesting and readable account of the inner history of the Chartist movement. Chapter 1 describes in short compass the document known as the People's Charter and traces rapidly its historical antecedents, finding the germ of its essential characteristics in the political ideas of the Revolution as those ideas found expression in the Debates of 1647 and the Instrument of Government of 1653. This chapter also sounds the keynote of the author's thesis, *i.e.*, that Chartism "was a purely working class movement, originating exclusively and drawing its whole following from the industrialized and unpropertied working classes which had but recently come into existence. For the most part it was the revolt of this body against intolerable conditions of existence (p. 1). What these conditions were is told briefly but graphically in the following chapters. The economic life conditions of the working classes are treated in the chapter on the Industrial Revolution, the content of which, being drawn almost exclusively from Parliamentary Papers, contains little that is new to the student of English economic history. Other breeders of discontent are discovered in the new Poor Law, the disillusionment following the Reform Act of 1832, and the stirrings of radical theorising among the London artisans; and from these various sources the streams of popular rebellion are traced

to their confluence in the political union whose standard was the Charter. The many and dramatic incidents which marked the course of the People's Parliament, the agitations antecedent to it, the chequered career of its Petition, the schisms within the party which followed upon the failure of the first attempt to influence Parliament, the gradual rise of O'Connor to dominance, and the eventful history of the second petition are unfolded in a close historical narrative which carries easily the attention and interest of the reader through the maze of complex movements. The pages are illumined by vivid portrayals of the leading actors and a singularly humanizing touch animates and makes real the involved forces which interacted to produce the main current of events. This is the principal merit of the book: a difficult theme full of cross currents and divergent tendencies is handled in such manner as to show the relation of each part to the whole movement; the treatment is detailed but it does not weary the reader.

The concluding chapter forms a contrast with the rest of the volume not so much in point of excellence as in method of presentation and literary form; the history of the closing decade of the movement (1842-53), though fully as complicated and crowded with events as its earlier career, is compressed into much narrower compass; indeed, as the author intimates, this period is viewed rather as the epilogue than as an integral part of the Chartist movement. The wisdom of this point of view might be questioned; certainly we surrender a potential agency for explaining any movement in human affairs when we choose to disregard or slight those antagonistic social forces which proved themselves capable of destroying that movement. As interpreters of the behavior of men in society, the weaknesses of group action are quite as important as the elements of strength; and in so clear-cut a case of class conflict as is given by the Chartist movement, a study of the weaknesses of the movement renders a double service by making clear the natures of both contending groups: for the weakness of the one social class indicates the sources of strength and stability in the other. In spite of this criticism, the concluding chapter contains some of the best pages of the book, *e.g.*, pp. 300-312 upon the Place of Chartism in History. The inclusion of a good bibliography and index makes the book usable by serious students.

Chapter three, Anti-Capitalistic Economics, appears to be somewhat of a digression. The statement of the writer, that "the

influence of this body of doctrine upon the mind of the working class" was "manifold" (p. 44) receives such scant substantiation as to leave one with the impression that it was based rather upon *a priori* grounds than upon the results of careful search for the agencies through which contact might have been formed between the minds of the masses in poverty and the thought of the intellectuals. Moreover, as a critical analysis of early socialist literature, the chapter is neither complete nor accurate; on the one hand, it overlooks both some of the obvious precursors of nineteenth century radicalism, *e.g.*, William Bell and others, and also the less apparent but entirely logical connection between the socialism of Vancouver, Hall and Thompson and the trend of thought among the later mercantilists; on the other hand, its critical analysis of socialist theory discloses an incomplete grasp of present-day economic doctrine.

One is inclined to doubt if the author really means what he says when he characterizes Chartism as a movement "exclusively of the industrialised and unpropertied classes." If so, he appears to overthrow his own contention by showing how completely the movement was dominated by middle-class leaders. Indeed, it becomes clear as one reads the book that Chartism was essentially the doctrine of a small middle-class group who diverted popular pressure from other channels and contrived to rally the varied forces of social unrest to the support of their program (see p. 188). Popular interest in Chartism was shallow and easily estranged (pp. 189 ff.). Some of the movements appear to have had little or no connection with Chartism (*e.g.*, the uprisings of 1839) but rather to have been isolated occurrences provoked by local life conditions, embodying no political theory. The judgment of Sir C. J. Napier that the chartist leaders were exploiting the hunger of the people (*Life and Opinions*, by Sir W. F. B. Napier, II, 27) and a very similar opinion of Mr. Gladstone's (Morley, *Gladstone*, I, 26) seem near the truth.

Though it is perhaps unfair to require a writer to elaborate all the departments of his work which are particularly interesting to the individual reader, one might wish that Mr. Hovell had chosen to follow out more in detail his suggestions of the interesting connection between nonconformity and political and economic radicalism (pp. 88, 244).

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## NEW BOOKS

ABBOTT, W. C. *The expansion of Europe. A history of the foundations of the modern world.* Vols. I and II. (New York: Holt, 1918. Pp. xxi, 512; xiii, 463. \$6.50.)

To those who are interested mainly in the social sciences these volumes by Professor Abbott provide a new means of approach to the field of history. The author has broken from the conventional lines of narrative and has sought to reconstruct the history of the past five hundred years with regard particularly to three elements in correlation. "The first is the connection of the social, economic and intellectual development of European peoples with their political affairs. The second is the inclusion of the progress of events among the peoples of eastern Europe and of the activities of Europeans beyond the sea. The third is the relation of the past to the present—the way in which the various factors of modern life came into the current of European thought and practice, and how they developed into the forms with which we are familiar."

The first volume begins with a survey of Europe in the closing centuries of the Middle Ages, and extends to the Peace of Westphalia; the second volume covers the later seventeenth and eighteenth centuries, and closes with the outbreak of the French Revolution. Simple but effective maps, illustrations selected with noteworthy discrimination, and a working bibliography are furnished to aid the student.

The author's plan forced a departure from two current forms of historical writing, on the one side from the itemized account of political events, and on the other from the general and rather abstract "history of civilization." This plan involved a far-reaching reorganization of the facts of social progress, and presented therefore a difficult problem in historical synthesis. The author's solution of the problem is of course open to constant attack from either side. His treatment of any group of facts may appear to one reader too detailed, to another too general. Judgment in such matters is bound to be personal, conditioned by the reader's preparation and particular needs. To the general run of students, if the reviewer can trust his own judgment, the book will be both interesting and instructive. One merit at least cannot be denied it; it is original and independent. It may not supersede other books, but it certainly does not duplicate them.

C. D.

CHAPMAN, S. J. *Labour and capital after the war.* (London: Murray, 1918. Pp. x, 280. 6s.)

CLARK, J. M., HAMILTON, W. H., and MOULTON, H. G., editors. *Readings in the economics of war.* (Chicago: Univ. Chicago Press, 1918. Pp. xxxi, 676. \$3.)

CLARKE, E. E. *Guide to the use of United States government publications.* (Boston: Boston Book Co. 1918. Pp. 308. \$2.50.)

COLBY, F. M., editor. *The new international year book: a compend-*

- ium of the world's progress for the year 1917.* (New York: Dodd, Mead. 1918. Pp. viii, 797.)
- GREENFIELD, K. R. *Sumptuary law in Nürnberg. A study in paternal government.* Johns Hopkins University studies in historical and political science, series XXXVI, no. 2. (Baltimore: Johns Hopkins Press. 1918. Pp. 139.)
- HOTBLACK, K. *Chatham's colonial policy: a study in the fiscal and economic implications of the colonial policy of the elder Pitt.* (New York: Dutton. 1917. Pp. xv, 219. \$2.50.)  
Reviewed in the *American Historical Review*, July, 1918, p. 849.
- JOHNSON, C. B. *Illinois in the fifties; or, a decade of developments, 1851-1860.* Illinois centennial edition. (Champaign, Ill.: Flanagan-Pearson Co. 1918. Pp. 175. \$1.25.)
- LEFFINGWELL, G. W. *Social and private life at Rome in the time of Plautus and Terence.* Columbia University studies in political science, vol. LXXXI, no. 1. (New York: Longmans, Green & Co. 1918. Pp. 140. \$1.25.)
- LICHTENBERGER, H. and PETIT, P. *L'impérialisme économique allemand.* (Paris: Flammarion. 1918. Pp. 290.)
- LOWIE, R. H. *Notes on the social organization and customs of the Mandan, Hidatsa, and Crow Indians.* (New York: Am. Mus. of Natural Hist. 1917. Pp. 99. \$1.)
- MARSHALL, L. C. *Readings in industrial society. A study in the structure and functioning of modern economic organization.* (Chicago: Univ. Chicago Press. 1918. Pp. xxiv, 1082. \$3.50.)
- MEIGS, W. M. *The life of John Caldwell Calhoun.* (New York: Neale Pub. Co. 1917. Pp. 456; 478. \$10.)
- NORTHCOTT, C. H. *Australian social development.* Columbia University studies in political science, vol. LXXXI, no. 2. (New York: Longmans. 1918. Pp. 302. \$2.50.)
- PHILLIPS, U. B. *American negro slavery.* (New York: Appleton. 1918. \$3.20.)
- POLLOCK, I. L. *History of economic legislation in Iowa.* (Iowa City: Iowa State Hist. Soc. 1918. Pp. x, 386. \$2.)
- PORRITT, E. *Evolution of the Dominion of Canada.* (Yonkers, N. Y.: World Bk. Co. 1918. Pp. xix, 540. \$1.50.)  
Chapters 2 and 3 treat of the physical features, distribution of population, and geographic and economic divisions of Canada.
- RENARD, G. and others. *L'avenir de l'expansion économique de la France. Conférences.* (Paris: Giard & Brière. 1918. 14 fr.)
- ROBINSON, J. J. *National reconstruction. A study in practical politics and statesmanship.* (London: Hurst & Blackett. 1918. 2s. 6d.)

SCOTT, W. J. *Economic problems of peace after war*. Second series. The W. Stanley Jevons lectures at University College, London in 1918. (London: Cambridge Univ. Press. 1918. Pp. xii, 139. 6s.)

SHAPIRO, J. S. *Modern and contemporary European history*. (Boston: Houghton Mifflin. 1918. Pp. xiv, 804. \$3.)

TEGGART, F. J. *The processes of history*. (New Haven: Yale Univ. Press. 1918. Pp. ix, 162. \$1.25.)

The author presents as his problem: how man everywhere has come to be as he is. He reviews briefly theories of race, habitat, and class struggle based on the economic factor. Rejecting these simple explanations and the contribution made by narrative history, he demands a scientific study of the processes of social development, and considers in detail the geographical factor and the human factor. A final chapter on method and results presents a summary of his conclusions. C. D.

WENDEL, H. C. M. *The evolution of industrial freedom in Prussia, 1845-1849*. (Allentown, Pa.: H. R. Haas & Co. 1918. Pp. 110.)

*A catalogue of French economic documents from the sixteenth, seventeenth, and eighteenth centuries*. (Chicago: John Crerar Library. 1918. Pp. 104.)

*Annuaire financier et économique du Japon*. (Tokio: Imprimerie Impériale. 1917. Pp. 194.)

## Agriculture, Mining, Forestry, and Fisheries

### NEW BOOKS

BUTLER, J. G. *Fifty years of iron and steel*. (Cleveland, O.: Penton Press. 1918. Pp. 114.)

FERASSON, L. *Le question du fer. Le problème franco-allemand du fer*. (Paris: Librairie Payot. 1918. 3 fr.)

FINCH, V. C. and BAKER, O. E. *Geography of the world's agriculture*. United States Department of Agriculture, Office of the Secretary. Contribution from Office of Farm Management. (Washington: Supt. Docs. 1917. Pp. 149.)

The purpose of this study is "to show the geographic origin of the world's supply of food and of other important agricultural products and to indicate briefly the climatic, soil, and economic conditions that account for the distribution of the crops and live stock of the world." The work deserves high praise.

The method employed includes the use of maps to show the geographic distribution, with accompanying graphs to present various aspects of the product, such as the acreage, yield per acre, total consumption and per capita consumption. These maps and graphs, 206 in number, represent for the most part an average of statistics



for the years 1911-1913. The figures for the United States, however, are from the census of 1910. The system of dots is used to show the distribution of production; and statistics of area, since they show less fluctuation, are given precedence over crop production.

Perhaps a clear idea of the plan of the work may best be given by summarizing the material presented with regard to one staple. Corn, for example, is shown by a graph (1) of the total and per capita production in the United States by years from 1839 to 1909; (2) a tabulation of the same in figures with the addition of percentages of the total cereal production and the value; (3) a map showing the corn acreage in the Nile Valley; (4) a map of corn acreage in India; (5) a map of the world acreage with (6) graphs showing the acres, bushels yield per acre and per capita, and the percentage of cropped land in corn; (7) a map of the corn production of the United States, with graphs showing the acres, acres per farm and bushels per acre for each of the ten leading corn states; (8) a similar map of Europe; (9) maps showing corn production in Mexico and in Argentina, Uruguay, and Chile.

The carefully prepared text accompanying these maps and graphs gives a brief history of corn production, the climatic conditions under which it grows most favorably, the value of corn as a food and the corn production of the United States, Europe, Mexico, Egypt, India, Canada, and Argentina.

The various farm animals are treated in a similar manner. Much interesting information is given with regard to the local development of varieties of crops and of breeds and types of livestock as affected by climate and foliage.

The influence of transportation facilities upon production is recognized throughout the work as is the matter of nationality in certain sections of the United States.

A list of statistical references concludes the volume. This includes governmental reports of crop statistics of the various countries of agricultural importance.

LORIAN P. JEFFERSON.

FUNK, W. C. *Value of a small plat of ground to the laboring man.* Bull. 602. (Washington: Dept. Agri. 1918.)

GILBERT, C. G. and POGUE, J. E. *Petroleum: a resource interpretation.* The mineral industries of the United States, bulletin 102, part 6. (Washington: Supt. Docs. 1918. Pp. 76.)

GOULDING, E. *Cotton and other vegetable fibres; their production and utilisation.* Imperial Institute handbook. (London: John Murray. 1918.)

JEVONS, H. S. *The consolidation of agricultural holdings in the United provinces.* Bulletin of the economics department of the University of Allahabad, no. 9. (Allahabad: The University. 1918. Re. 1.)

MCLEISH, J. *Annual report of the mineral production of Canada during the calendar year 1916.* (Ottawa: Division of Mineral Resources and Statistics. 1918. Pp. 343.)

- ORR, J. *Agriculture in Berkshire*. (London: Humphrey Milford. 1918. 8s. 6d.)
- SNIDER, L. C. *Agriculture in Oklahoma*. Bull. 27. (Oklahoma City: Geological Survey. 1917.)
- WHITE, A. V. *Fishways in the inland waters of British Columbia*. (Ottawa: Commission of Conservation. 1918. Pp. 14.)
- WILLARD, R. E. *A farm management study of cotton farms of Ellis County, Texas. A statistical study of the investment in land and equipment, cost of operation and of production of crops, and income from different types of tenure in 1914*. Dept. Agri. Bull. no. 659. (Washington: Supt. Docs. 1918. Pp. 54. 10c.)
- WOLFF, H. W. *The future of our agriculture*. (London: King. 1918. 12s. 6d.)
- The cost of cotton production, season 1917-18*. (Philadelphia: H. F. Bachman & Co. 1918. Pp. 27.)
- The international movement of fertilisers and chemical products useful to agriculture*. (Rome: Intern. Inst. Agri. 1918. Pp. 86.)
- Report of the ninth annual meeting of the Commission of Conservation, Canada, held at Ottawa November 27, 1917*. (Ottawa: Commission of Conservation. 1918. Pp. 282.)
- United States Food Administration policies and plan of operation with reference to wheat, flour, and bread*. (Washington: Food Admin. 1917. Pp. 171.)
- Yearbook of the United States Department of Agriculture, 1917*. (Washington: Supt. Docs. 1918. Pp. 853. \$1.)

## Transportation and Communication

### NEW BOOKS

- CLAPP, E. J. *Railway traffic*. (New York: Alexander Hamilton Inst. 1918. Pp. xvi, 349.)
- CRENNAN, C. H., editor. *War adjustments in railroad regulation*. (Philadelphia: Am. Acad. Pol. & Soc. Sci. 1918. Pp. x, 333.)
- DIXON, F. H. and PARMELEE, J. *War administration of the railways in the United States and Great Britain*. Preliminary Economic Studies of the War, edited by D. KINLEY. Carnegie Endowment for International Peace. Division of Economics and History. (New York: Oxford University Press. 1918. Pp. x, 155. Paper bound.)
- This account was prepared toward the close of last year. It represents, therefore, the period during which the railways of the United States were still under private management and before the government had decided to take over their operation, and was intended to afford a comparison of the results obtained under government management in England with those obtained in this country under the direction of the Railroads' War Board, a voluntary organization

created by the railways themselves. Government operation of the railways of the United States having intervened while the monograph was on the press, it now affords interesting data for comparison of the results obtained under the direction of the Railroads' War Board with those which will be developed under the Railroad Administration, and also gives an interesting account of the methods adopted for dealing with the transportation problem in England which differ materially in important aspects from the plan which was adopted by the government in this country.

The part of the work for which Dr. Parmelee is responsible describes the very high degree of efficiency attained in Great Britain since the beginning of the war under a law which had been on the statute books since 1871. This provided for the method of railway management in case of war and for the financial arrangement under which the railways should be operated. The organization of railway executives which is now operating the British railways had been in existence since 1896. On the other hand, the part prepared by Professor Dixon shows that in the United States no preparation had been made for railway participation in the war until a few months before our entrance into it, beyond such experience as was carried over from our failures in the Spanish-American war and from our transportation of militia to the border in the summer of 1916. It outlines the methods of voluntary coöperation adopted by our railways in the absence of any government transportation policy, shows the remarkable degree of success which was attained in many respects under the plan adopted, and also explains some of the defects of the plan and the obstacles to the attainment of the highest degree of efficiency which eventually led to the decision of the government to undertake the complete unification and coördination of the railway facilities in its own hands.

The authors say that the monograph is subject to all the limitations that arise when one attempts to write history contemporaneously and that they have attempted nothing beyond a simple narrative without attempting prophecy or conclusions. Greater opportunity for conclusions will be afforded after the United States Railroad Administration has been in charge long enough to make a record which may be fairly compared with that of the roads under private management and with that of the British railways. The reader who is keeping in touch with the present situation in this country will be especially interested to compare the plan by which the government has assumed complete control, to the exclusion of the corporations that have formerly managed the railway properties, and has completely reorganized them, with the British method of leaving the operation of the lines in the hands of a committee of their officers by making the latter official representatives of the government at the time the government assumed the financial responsibility.

H. F. LANE.

JOHNSON, E. R. and HUEBNER, G. G. *Principles of ocean transportation*. (New York: Appleton. 1918. Pp. xxi, 505. \$2.50.)

It is rare that a book is produced which so fully meets the demands of scholar and business man; and this new edition of it will be welcome. The book contains material that brings it up to date as to wartime conditions and enables the reader to get an indication of the future that awaits us in an age of governmental control of commerce by sea. It is divided into four main parts. First a description is given of the ocean transportation system—carrier, ocean routes, canals, vessel measurements, ocean ports and terminals. It is an anatomy of the ocean carrying trade; the way it is built. The way it works is described in part II, The ocean transportation service. Ocean freight, passenger, mail, and express services, agencies, and methods are explained, as well as the shipping documents and records involved. There are numerous facsimiles of these documents as well as of marine insurance papers including the new war risk insurance.

Part III deals with the organization of ocean commerce, the relation of carriers with one another and the public. The authors explain the facts of competition in the tramp service, monopoly in the liner service, with the consequent effects on passenger and freight rates. The elements affecting ocean rates are detailed and the possibilities and limitations of cooperation between rail and ocean carriers are made clear. Tables and diagrams of freight rates with their fluctuations are given.

Part IV treats of government aid and regulation of ocean commerce. Aid consists of subsidies to ship construction and operation and the free or semi-free offer of terminal facilities. In this section are included the subjects of merchant marine, shipbuilding, port and terminal charges, navigation laws, the new legislation creating the Emergency Fleet Corporation and the Shipping Board, with its new powers over rates and combinations of ocean carriers. There is a plea against the policy of permanent government operation of ships and a demand that the path of private initiative be not blocked.

E. J. CLAPP.

MACELWEE, R. S. *Ports and terminal facilities*. (New York: McGraw-Hill. 1918. Pp. ix, 315. \$3.)

*Government control and operation of railroads. Hearing before the Committee on Interstate Commerce, United States Senate, Sixty-fifth Congress, second session, parts 1 to 7, inclusive.* (Washington: Supt. Docs. 1918. Pp. 1338.)

*Summary of railway returns, year ending December 31, 1917. Railways having annual operating revenues above \$1,000,000. Consecutive no. 128. Miscellaneous series no. 31.* (Washington: Bureau of Railway Economics. 1918. Pp. 15.)

### Trade, Commerce, and Commercial Crises

*The Chicago Produce Market.* By EDWIN GRISWOLD NOURSE. Hart, Schaffner and Marx Prize Essay, XXV. (Boston: Houghton Mifflin Company. 1918. Pp. 289. \$2.25.)

This book deals specifically with the marketing of farm products. It differs from the texts of Adams, Huebner, and Weld in that it concerns itself with a specific market and with a limited number of farm products—butter and cheese, eggs and poultry, fresh fruits and vegetables. The only other book known to the reviewer, dealing with the Chicago produce market, is a long and very hastily written volume by William T. Seibels, who at the time of writing was and had been for a long time actively connected with the Chicago produce trade. Seibels describes at length the marketing of eggs, butter, cabbages, potatoes, and other produce, discourses on the “trade,” “crooks and straights,” evils in the trade, need of revision of the public estimate of the produce trade, remedial legislation, and like topics, with ardor and earnestness. He emphasizes what the trade considers the important facts and significant details of the produce business and universal principles of produce marketing. In thoroughness of study and in breadth of outlook Seibels’ book is not to be compared with Nourse’s essay, but in spite of its verbosity and bad editing it sets forth very well the viewpoint of the man on the street and helps one to realize the significance of this human factor in any scheme of marketing reform or reconstruction. A comparison of the two books—one by a careful student, the other by a successful young man of affairs, a man of action rather than an author, who writes about his daily business—is most enlightening.

The material for the present essay was gathered in 1914 and 1915, but in preparing the manuscript for publication the author has attempted to bring the facts down to the spring of 1917. The essay, therefore, describes pre-war conditions, although in a series of footnotes, which in some respects are more important than the text, the author has attempted to “take account of later developments.”

The essay purposes to discover “what sort of a great central market for perishable food products” has been developed in Chicago, to determine its functions, its method of operation, “the precise circumstances under which supply and demand are brought together” and the general effect of the market circumstances upon prices. This is a large order but the author has probably covered the ground as well as a single independent investigator could do in the time at his disposal. He has presented very few figures and has evidently studied the market as an observer and reader and based his conclusions on his reading, personal observations, and

on interviews with a number of men connected with the Chicago produce trade and various persons and commissions interested in market reforms.

Six of the eleven chapters are largely descriptive and deal with the location, equipment, personnel, and organization of the wholesale market, the wholesale transportation and storage facilities and the retail market. Two chapters discuss the effect of the market system upon prices; two the Chicago Municipal Markets Commission and other projects for improving the market system; the final chapter is devoted to a summary and the conclusions of the study. On the whole the descriptive part of the essay is very detailed, often tediously so, and thoroughly done. In spite of this the reviewer failed to receive and retain a comprehensive, clear-cut mental picture of the Chicago wholesale marketing system. The very detailed description seems to obscure the significant outlines. Some less detailed maps and a few charts presenting the sources of supply, the important channels of traffic, and the trade organization might have been used to advantage.

A good piece of work on the effect of the market system upon prices has been done by the author, although his conclusions are not essentially different from those of other students of agricultural economics. He finds little or no evidence of monopoly, or of collusion on the part of market men to raise prices either to the retailer or to the consumer. Moreover, he does not find the spread between the producers' and consumers' prices exorbitant considering the services of the middlemen and the physical conditions of the market. He presents but few figures to prove this contention but points out some of the difficulties and errors occurring in figures purporting to show an exorbitant accumulation in prices from producer to consumer. It may be noted that he bases his percental increases in price from dealer to dealer not on the consumer's price but on what he calls the "value" of the article in the hands of the different middlemen. On this basis he finds that "typical dealers'" margins on a small number of typical products run from 1 to 12 per cent in the case of wholesalers and jobbers and from 10 to 30 per cent in the case of retailers. These percentages are calculated on the price which the dealer receives for the goods. There is no reason to question the percentages, but whether these percentages should be based upon the *dealer's selling price* in each case or upon the *consumer's purchase price* in all cases is open to question. Both methods are subject to errors similar in kind.



The author finds that the market places of Chicago are not so situated as to take advantage of Chicago's natural position as a railway center and as a lake port, that the business is carried on with comparatively inefficient equipment and with much waste of energy by a large number of private firms and small corporations. This is particularly true of the retail trade. He finds that the Municipal Markets Commission accomplished nothing of importance and failed to gain a real understanding of the marketing problem; furthermore, that all plans to get rid of the middlemen through cooperative organizations, parcel post, and farmers' markets have had very little effect upon the city marketing problem. All attempts to remove the South Water Street market to a less congested and more convenient location have failed.

The author is able to present no very hopeful method of reform. While he deprecates the laissez-faire attitude and finds very little hope of improvement from within the market organization itself, he believes that reform efforts originating in a temporary city market commission in the future will be as futile as those in the past. The author does arrive at the obvious conclusion that the city of Chicago should "use its influence and authority to make certain" that some one provides an adequate terminal somewhere. His one constructive suggestion is the provision for a market commissioner with comparatively large powers and permanent tenure, whose office should bear somewhat the same relation to the Chicago city markets that the Federal Bureau of Markets does to the general market for farm products in the United States. Furthermore, he believes that such a commissioner should have power to investigate causes of complaint between buyer and seller, prefer charges, and be a correlating agency and general receptacle for information with regard to the Chicago produce market.

ALEXANDER E. CANCE.

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*The Future of German Industrial Exports.* By S. HERZOG.  
(New York: Doubleday Page and Company. 1918. Pp.  
xv, 196. \$1.00.)

Rarely has there come to light such frankness in regard to commercial policies and plans based upon force and might as in this volume, published late in 1915 by a leading German engineer and industrial expert. Fortunately, the conditions upon which he based

his program have so altered since 1915 that we may look upon this work as a warning, with reason for gratitude that the consummation of the plans advocated is now more impossible than then. The author admits, at the outset, that Germans will enter the export market upon the conclusion of peace with a liability of hate so bitter that "even the commercial treaties they expect to dictate and write in blood will not prevail to open a cordial channel for their industrial products." Notwithstanding this, the plan is still to dominate the world, the preponderant power to be secured by organization, preparation, and the exertion of economic pressure upon foreign nations through "indispensable industries and unsurpassable goods."

The raw material problem is to be solved by mobilization of science for the production of Prussian substitutes and through the assurance of supplies of materials which cannot be so produced by treaties dictated and forced upon other nations by German authority. In order to overcome foreign prejudice, imitation and adaptation to foreign customs are to be utilized to the utmost. So-called "defence statistics" are to be used as a basis of control in forcing the world to take what Germany wishes to export. Foreign manufacturers, who persistently reject German goods of one sort, cannot under any circumstances be permitted to get German goods of another sort which are indispensable to them. In short, the author proposes that Germany blackmail the world with its indispensable industries, which include such natural monopolies as potash and such manufactures as dyestuffs.

In order to operate these indispensable industries to conform to the plan, they are to be controlled by rigid and despotic state sovereignty. Dumping is to be resorted to at any threat of competition in foreign countries and transplantation or imitation in other countries is to be strictly prohibited. Change of ownership is likewise forbidden and foreign capital is to be excluded. To secure advantages in foreign countries the German Diplomatic Corps is to operate as advance guard, working in secret in every possible way with other agencies. Concessions are to be made and temptations to be offered; where they fail, threats and action are to be the weapons with which allied countries are to be drawn into commercial relations to the benefit of Germany. To carry out this plan it seems to the author also to be necessary to give the state complete control of the life and actions of every laborer, every scientist, and every employer who may be necessary for the welfare of these indispensable industries. In each industry the

organization is to be along military lines. A division is to be made into five federations: scientific, industrial, mercantile, commercial, and financial. The authority and functions of each are outlined by the author. The book closes with a statement that, to neutralize hostility at the outset, only "denationalized" goods will be offered. To make this device effective, other nations are to be compelled to keep their goods also free from mark or sign. In conclusion, standardization of production in large-scale enterprises, complete organization, an unceasing search for greater efficiency and power of superior genius are factors which are to bring the domination of the world market.

Briefly, the argument is based upon a series of assumptions which are either fallacious or at least not proved: (1) the superiority of German inventive genius; (2) the manufacturing superiority of Germany before the war and the indispensability of her industries to the rest of the world; (3) the assumption that Germany will dictate peace treaties; (4) the assumption that other nations cannot understand and appreciate German motives in their true light, and that they are unable to organize.

Deprived of these supports and confronted with the further proposition that militaristic organization is not conducive to inventive accomplishment, or more broadly, to the development of initiative and individuality, the plan of Mr. Herzog becomes a dream of an industrial Pan Germanist rather than a program of anticipated accomplishment.

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#### NEW BOOKS

ARAGON, A. *Le trafic international par le Mexique.* (Paris: Dunod & Pinat. Pp. 102. 10 fr.)

BELLET, D. *Crises économiques, crises commerciales, crises de guerre, leurs caractères, leurs indices, leurs effets.* (Paris: Alcan. 3.50 fr.)

BENN, E. J. *The trade of tomorrow.* (New York: Dutton. 1918. Pp. 232. \$1.50.)

BROWN, H. G. *Principles of commerce.* (New York: Macmillan. 1918. Pp. xxiii, 154, 188, 192. \$1.50.)

The first two parts of this volume dealing with The Exchange Mechanism of Commerce and The Economic Advantages of Commerce were published in 1914 under the title *International Trade and Exchange*. They are here reprinted with a third part, The Transportation Costs of Commerce, and the whole is issued "with both the general reader and the student in view" as an attempt "to present the theory of commerce in its several important aspects,

while yet so emphasizing the relations of the different branches of the subject to each other, as to give unity to the whole."

The third part of the book deals with such subjects as the cost of transportation, the competition of transportation companies, transportation monopoly, economically undesirable rate discrimination among places, economically defensible discrimination among places, relative rates on different goods, and discrimination among shippers. A consideration of these matters, however interesting and important, would not seem to be essential to a theory of commerce. There is, for example, no very intimate connection between railroad rate discrimination and the quantity theory of money; or between transportation monopolies and the ultimate creditors when bills of exchange, checks, and banknotes are used. On the other hand, some subjects are omitted or given very brief treatment when it would seem that in any exposition of a theory of commerce they should receive extended consideration: for example, commercial organizations, monopolies (other than in the field of transportation), competition, and the middleman.

Mr. Brown's book is almost wholly deductive. There are not many historical or statistical illustrations; little is said that is not orthodox. The book is written clearly, simply, and accurately and should be valuable as a text but for the fact that the subject-matter is loosely related and technically treated. Part of the book would be appropriate for a class in the theory of money while the rest should probably be divided between classes in commerce and in transportation.

LINDSAY ROGERS.

HECHT, J. S. *Free trade or free production*. (London: King. 1918. 6d.)

HOUGH, B. O. *Practical exporting; a handbook for manufacturers and merchants*. Second edition, revised. (New York: Am. Exporter. 1917. Pp. 529. \$4.)

SHUEY, H. S. *Bibliography of foreign trade publications*. (San Francisco: The ten Bosch Co. 1918. Pp. vii, 77.)

A guide of practical value, although completeness is not claimed. Topical arrangement includes such matters as: atlases, commercial policies and tariffs, directories, export journals, financing, foreign markets by geographic divisions and by industries, geography and commerce, history of international trade, house publications, insurance, magazines, publications of commercial organizations, statistics, technique, theory of international trade, transportation and trade routes, and year books.

*Foreign commerce and navigation of the United States for the year ending June 30, 1917*. (Washington: Bureau of Foreign and Domestic Commerce. 1918. Pp. lv, 956.)

*The international movement of fertilizers and chemical products useful to agriculture*. (Rome: Intern. Inst. Agri. 1918. Pp. 86.)

*Retail merchandising; a selected list of books in the library*. (St. Paul, Minn.: The library. 1918. Pp. 6.)

## Accounting, Business Methods, Investments, and the Exchanges

### NEW BOOKS

- ASPLEY, J. C. *What a salesman should know about credits.* Pocket edition. (Chicago: Dartnell Corporation. 1918. Pp. 95. \$1.)
- BABSON, R. W. *Business barometers used in the accumulation of money. A text book on applied economics for merchants, bankers, and investors.* Eleventh edition. (Wellesley Hills: Babson Service Co. 1918. Pp. 435. \$2.50.)
- BARRETT, H. J. *How to sell more goods; secrets of successful salesmanship.* (New York: Harper. 1918.)
- BOLLES, A. S. *Bolles' manual for business corporation meetings.* (Philadelphia: John C. Winston Co. 1918. Pp. 278, 239.)
- CASTENHOLZ, W. B. *Auditing procedure.* (Chicago: La Salle Extension Univ. 1918. Pp. 342. \$3.50.)
- EGGLESTON, DEW. C. *Problems in cost accounting.* College of the City of New York series in commerce, civics, and technology. (New York: Appleton. 1918. Pp. 14, 349. \$2.50.)
- EMERY, J. A. and WILLIAMS, N. B. *Governmental war agencies affecting business.* Second edition. (New York: Nat. Assoc. Mfrs. 1918. Pp. 190.)
- DEFLEURY, R. *La production industrielle intensive. Son influence sur le prix de revient.* (Paris: Dunod & Pinat. 3.30 fr.)
- GARDNER, E. H. *New collection methods.* (New York: Ronald. 1918. Pp. xviii, 467. \$4.)  
A business man's book. It throws light on credit relationships between manufacturers, jobbers, and retail dealers. Chapter 26 treats of trade acceptances.
- HALE, R. L. *Valuation and rate-making. The conflicting theories of the Wisconsin Railroad Commission, 1905-1907.* Columbia University studies in political science, vol. LXXX, no. 1. (New York: Longmans. 1918. Pp. 156. \$1.50.)
- HERSCH, A. D. *Michigan law of chattel mortgages, with forms.* (Detroit: F. S. Drake. 1918. Pp. xii, 607. \$6.50.)
- HIGHAM, C. F. *Scientific distribution.* (New York: A. A. Knopf. 1918. Pp. 183. \$1.50.)  
A book on advertising; the historical, modern, and prophetic aspects of distribution.
- IZART, J. *Methodes économiques d'organisation dans les usines.* (Paris: Dunod & Pinat. 1918. 7.50 fr.)
- KATH, E. W., compiler. *Uniform cost accounting for steel furniture industry.* (Cleveland, O.: Nat. Assoc. Steel Furniture Industry. 1918. Pp. 106.)

- KENNARD, B. E. *The educational director. Department store manuals.* (New York: Ronald Press Co. 1918. Pp. 207.)
- KLEIN, J. J. *Bookkeeping and accounting. Introductory course.* College of the City of New York series in commerce, civics, and technology. (New York: Appleton. 1918. Pp. 226. \$1.25.)
- LEE, J. M. *History of American journalism.* (Boston: Houghton Mifflin. 1917. Pp. x, 462. \$3.50.)
- MINER, G. W. and FAYETTE, H. E. *Principles of bookkeeping; brief course, illustrating the direct method of closing the ledger.* (Boston: Ginn. 1918. Pp. vii, 192. \$1.12.)
- RAGLAND, R. E. *California laws of business and California legal forms.* (San Francisco: Rufus E. Ragland. 1918. Pp. 57. \$2.50.)
- RITTENHOUSE, C. F. *Accounting theory and practice.* (New York: McGraw-Hill Bk. Co. 1918. Pp. 56. \$2.50.)
- ROE, E. T. *The new standard American business guide; a complete compendium of how to do business by the latest and safest methods.* Eighteenth edition. (Chicago: J. A. Hertel Co. 1918. Pp. 512. \$1.75.)
- SHELP, B. B., compiler. *Office methods.* (New York: H. W. Wilson Co. 1918. Pp. 27. 25c.)
- STEIN, L. *Buying brains. Facts and suggestions regarding the establishing of better relations between employers and employees.* (New York: Authors Press. 1918. Pp. 229. \$2.)
- Accounting and costs; finding bank costs; how to check profit leaks; simple cost systems that pay; making every account profitable; tested ways to reduce costs.* (Chicago: Shaw. 1918. Pp. 225. \$3.)
- Five roads to financial independence.* (New York: Ratner Securities Corp. 1918. Pp. 190.)
- Investing.* (Dallas, Tex.: Texas Mortgage Co. 1918. Pp. 23.)
- Langley interest tables 4 1/2 per cent, showing exact interest for six months.* (Boston: Bankers Nat. Supply Co. 1918.)
- Latin-American year book for investors and merchants.* 1918 edition. (New York: Criterion Newspaper Syndicate, 15 Park Row. 1918. Pp. 600. \$2.50.)
- Office work; a selected list of books in the library.* (St. Paul: Public Library. 1918. Pp. 8.)
- Summary and abstract of "Blue sky laws" in force in the various states of the United States.* (Chicago: Sonnenschein, Berkson & Lautmann and Davis Levinson. 1918. Pp. 54.)
- Synopsis of decisions and recommendations relating to freight and passenger accounts, July, 1888, to September, 1917, inclusive.*



(Washington: Assoc. Am. Ry. Accounting Officers. 1918. Pp. 111. \$1.)

*The Taplex budget and record for personal or family expenses; a simple yet efficient expense record combined with the budget plan of setting aside a definite sum for each item of expense.* (New York: Taplex Corporation. 1918. Pp. 159. \$2.)

### Capital and Capitalistic Organization

#### NEW BOOKS

GRAZIADEI, A. *Quantità e prezzi di equilibrio fra domanda ed offerta in condizioni di concorrenza, di monopolio et di sindacato fra Amprenditori.* (Rome: Athenaeum. 1918.)

HENDERSON, G. C. *The position of foreign corporations in American constitutional law; a contribution to the history and theory of juristic persons in Anglo-American law.* (Cambridge: Harvard Univ. Press. 1918. Pp. xix, 199.)

IGNATIUS, M. B. *Financing public service corporations.* (New York: Ronald Press. 1918. Pp. xviii, 508. \$5.)

To be reviewed.

### Labor and Labor Organizations

*Women in the Engineering Trades. A Problem, a Solution, and Some Criticisms. Being a Report Based on an Enquiry by a Joint Committee of the Fabian Research Department and the Fabian Women's Group.* By BARBARA DRAKE. Trade Union Series, No. 3. (London: Fabian Research Department. 1917. Pp. 143. 2s. 6d.)

*Economic Effects of the War upon Women and Children in Great Britain.* By IRENE OSGOOD ANDREWS. Carnegie Endowment for International Peace. Preliminary Economic Studies of the War, edited by DAVID KINLEY. (New York: Oxford University Press. 1918. Pp. vi, 190. \$1.00.)

*Munition Lasses.* By A. K. FOXWELL. (New York: Hodder and Stoughton. 1917. Pp. 196. 2s.)

*Women War Workers.* Edited by GILBERT STONE. (London: Harrap and Company. 1917. Pp. 320.)

*Women's Work in War Time. A Handbook of Employments.* Edited by H. W. USBORNE. With a Preface by LORD NORTHCLIFFE. (London: T. Werner Laurie. 1917. Pp. ix, 174. 2s.)

*Women and War Work.* By HELEN FRASER. (New York: G. Arnold Shaw. 1918. Pp. 308. \$1.50.)

Mrs. Drake's report takes its place with the investigations made

by the British Association for the Advancement of Science as an important scientific study of the effect of the war upon the problem of the employment of women. The three valuable reports of the British Association<sup>1</sup> deal with employment of women over a wide field, covering not only the principal branches of industry but agriculture and clerical occupations as well. The limitation of the Fabian inquiry to the engineering trades has made possible a more intensive investigation of this important field which will be generally welcomed by students. The book contains a valuable introductory sketch of the increase in the number of women in the engineering trades before the war; an account of the process of diluting skilled labor from the outbreak of the war to June, 1917, six chapters dealing with the position of women in the engineering trades during the war, and two chapters on Reconstruction.

The report presents an interesting account of the gradual increase in the number of women in the engineering trades before the war and the development of the lines of demarcation between men's work and women's work. It is noted that the advent of female labor in these trades during the latter half of the nineteenth century was not an isolated phenomenon but formed part of the larger problem of the increasing employment of the semi-skilled worker. The simplification of processes which came with the development of automatic machinery had made the old apprenticeship system unnecessary for the mass of the workers. The great body of "semi-skilled mechanics" and "unskilled assistants," forming the largest groups in the engineering trades, contained before the war a growing proportion of women. On the other hand, the skilled occupations in the trade, those for which an apprenticeship was usually required and which included the large body of trade unionists were "reserved entirely to men. For no woman served an apprenticeship and no woman secured the trade union rate of wages." The lines of demarcation between "women's jobs" and "men's jobs" were drawn irrationally and not on the basis of the suitability of women's labor for certain kinds of work and not for other kinds.

In the face of the increase in the number of women in these trades before the war, the great trade unions had resolutely refused to admit women to membership. The root of the trade

<sup>1</sup> See Kirkaldy, *Credit, Industry and the War* (1915); *Labour, Finance and the War* (1916); and *Industry and Finance; War Expedients and Reconstruction* (1917).

union refusal to admit women was a fear of "scab" labor and unfair competition rather than opposition to female labor as such. "The Amalgamated Society of Brassworkers, whose members were among the earliest to suffer from female competition, persisted in the policy to drive women from the trade, or check their advance. The Amalgamated Society of Engineers adopted a similar policy, and the door remained closed to women, although opened to the semi-skilled male mechanic and unskilled male assistant."

The substitution of women for men in certain occupations had been accompanied by a progressive decline in wages. At each displacement of male by female labor the men's rate was reduced by about one half, or out of all proportion to any proved deficiency in the women's productive value. Thus was the stage set for the dramatic shifting of the old lines of division between "men's jobs" and "women's jobs" which the war brought to this industry.

Mrs. Drake's inquiry is unique because it is a study by one who knows and understands the workers' point of view. Her inquiry is not, on this account, less scientific, but more scientific. That is, her understanding of the workers' side of the munitions problem has not biassed her study, but has made possible a presentation of the larger aspects of the subject of state regulation and state control. The successive steps of the government's policy are clearly stated and, at the same time, an illuminating account is given of what this policy has meant to the wage-earners of England—men and women. Mrs. Drake exhibits the first Munitions act as a means of preventing the wage-earner from sharing with the employer the benefits that accompanied the industrial expansion. "The economic advantage enjoyed by the shipowner from a scarcity of ships, the law prohibited to the worker from a scarcity of labor; the iron rule of supply and demand being bent at once to order . . . (p. 25)." "Thus, the effect of the Munitions of War act, 1915, was to reduce the workers to a state bordering on slavery, and to check an advance in wages corresponding with the rise in the price of other commodities as effectually for women exploited at sweated rates, as for men enjoying comparatively high earnings (p. 26)."

Some interesting evidence is offered as to women's adaptability for mechanical work. Thus it appears that "although female labour shows certain obvious physical limitations, the women are

not lacking in mechanical aptitude." One employer writes, "The women have spoiled very little work, and the learning period required for each process has varied from one day to three weeks. The manager would certainly like to keep them for general engineering work after the war." Another firm "remarks an extraordinary wear and tear on the tools and accuses women of 'driving the machines to death'; but the exceptional pressure at which the factory is running must also be taken into account."

In reply to the question "Will women remain in the engineering trades after the war?" Mrs. Drake confesses that any answer is only a guess. There is on the one hand the government's pledge to the trade unions that the "dilution" to which the unions agreed was to be only for the period of the war. Can this pledge be kept and will it be kept? Very interesting is Mrs. Drake's discussion of this question, and it is important to note that three different members or groups of members of the Fabian committees jointly responsible for the report disagreed with her recommendations or thought it necessary to supplement them.

The monograph on *Economic Effects of the War Upon Women and Children* is a convenient review and summary of British experience in finding a substitute for men's labor during the first three years of the war. The admirable activity of the United States Bureau of Labor Statistics in reprinting promptly as special bulletins and in the *Monthly Review*, the most important of the British official papers on this subject as well as the most important articles from the *Labour Gazette* has made the material assembled in the Carnegie monograph easily accessible to American students. It is useful, however, to have the material brought together in a single brief volume. The title of the monograph is slightly misleading, since the discussion is confined almost wholly to the effects of the war on the employment of women in the industrial field. Two slight defects in the monograph may be noted: there is no index, and no date is given to mark the period when the study was brought to a close. This would be useful for a study in a field in which changes are still going on.

The other four books under notice represent a rapidly increasing body of more or less popular literature dealing with the extraordinary expansion of the field of employment for women in England which has been one of the spectacular economic effects of the war.

Miss Foxwell's *Munition Lassies* contains an account of the organization of women's work in the great series of munition plants at Woolwich Arsenal. The author, who holds the post of "principal overlooker" in the danger buildings of the arsenal, gives an interesting, gossipy account of her own duties and of the work of the "lady superintendent" who would be called an "employment manager" in an American plant, of the welfare workers who are sent out to visit the homes of workers and prospective workers, and of the elaborate organization of medical officers, forewomen, and "principal overlookers" who are responsible for maintaining the health, safety, and efficiency of the women workers in this vast establishment and in others like it.

Mr. Stone's compilation of articles about "women's war work" is like Miss Foxwell's book in that it is written in easy, popular style and recounts the experiences of women who are actually engaged in the new occupations opened to them by the war. It is interesting that complaint of inadequate pay is common. The representative of the women working on the land complains that fifteen shillings a week is not enough to live on in these days of high prices (p. 47). The article dealing with the work of the women letter-carriers says of the wage, sixpence an hour, "one cannot pretend that the pay under present cost of things provides a living wage." Even the munition worker notes that "the enormous wages held out by the papers . . . melt somewhat upon inspection or rather have a tendency to be given to no one nearer than a friend's sister's niece. There is no doubt that we do earn more than women have ever done before. . . . At the same time living is so very expensive in these days."

The story of inadequate wages is continued in Mrs. Usborne's *Handbook of Employments*. The handbook is divided into two parts. Part one is a useful guide giving the main facts about the important occupations employing women for war work. Part two consists of a series of critical signed articles discussing the problems of women's entrance in new fields of employment. Especially interesting are Miss Zimmern's chapter on Women and the Civil Service, Miss Mack's chapter on Welfare Work, and Miss Ruth Young's Outlook for Women in Clerical Work. Miss Zimmern points out that the old traditions against the employment of women have continued even in war time, and shows that "very little attempt has yet been made to allow women of education and experience to devote their capacity for administrative work in

the higher sense to the direct service of the country." "The subject of extending the employment of women here is full of difficulties and a special commission of inquiry is suggested as the only satisfactory method of deciding to what proportions and under what conditions women should be appointed, having regard to the temporary and permanent needs of the country."

In Miss Young's chapter on clerical work vigorous complaints are made on the score of the low salaries paid to government temporary workers who are subsidized by a hotel maintained by the Y. W. C. A. "At a time when the expenses of living are higher than they have ever been, government, local authorities and philanthropic agencies are paying starvation wages to their women employees." The reduced salaries given to women who have taken over clerical work in the banks is especially complained of. Miss Young, as secretary of the Women Clerks and Secretaries Association, a society which is a registered trade union for women clerical workers, points out that serious results may follow the present situation in which women not only get low wages but are not trained. Many women whose energies have gone into patriotic war work have during these years missed opportunities for training and especially have they let slide opportunities of entering professions for which a long course of preparation is necessary.

Miss Fraser's book is a eulogy of the courage, capacity, and willingness to serve which the women of England have shown during the war rather than a critical analysis of the significance of the vast changes in women's work. She writes of the spiritual value of war work rather than of its economic aspects; she discusses what the war has done for women in an inspirational way instead of the problems of wages and hours and the future demarcation of men's work and women's work.

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#### NEW BOOKS

BECKHOFFER, C. E. and RECKITT, M. D. *The meaning of national guilds.* (London: Cecil, Palmer & Hayward. 1918. 7s. 6d.)

BLOOMFIELD, M. *Labor and compensation.* (New York: Indus. Extension Inst. 1917. Pp. xvi, 445.)

CHAPMAN, S. J., editor. *Labour and government after the war.* (London: Chapman, Murray. 1918.)



FLORENCE, P. S. *Use of factory statistics in the investigation of industrial fatigue. A manual for research.* Columbia University studies in political science, vol. LXXXI, no. 3. (New York: Longmans. 1918. Pp. 153. \$1.25.)

FORREST, J. R. C. *The agricultural labourer and the minimum wage.* (Letchworth: G. W. Wardman. 1918. Pp. 15. 2d.)

MANN, A. *Women workers in factories. A study of working conditions in 275 industrial establishments in Cincinnati and adjoining towns.* (Cincinnati: Consumers' League. 1918. Pp. 45.)

The author is executive secretary of the Consumers' League of Cincinnati. More than 40,000 wage-earners are covered by the inquiry, nearly 17,000 of whom were women and girls. The study is constructive in its suggestions.

MILLS, F. C. *Contemporary theories of unemployment and of unemployment relief.* Columbia University studies in history, economics and public law, vol. LXXIX, no. 1. (New York: Longmans. 1917. Pp. 178. \$1.50.)

As suggested by the title this study deals largely with theory. However, it does not neglect certain practical phases of the problem. The author begins with a treatment of the English theories of unemployment and follows it with a short resumé of the English legislation on the subject, of which the culminating feature is the national insurance act of 1911.

The "orthodox" theories as to the causes of unemployment are grouped under four heads: loss and lack of industrial quality; industrial fluctuations; the reserve of labor; and the personal factor. The author presents a considerable analysis of the well known writings on unemployment by such men as Beveridge, Pigou, Webb, and Hobson. He finds that among the remedies suggested are plans for the development of labor exchanges, for the decasualization of labor and for the absorption of the surplus.

In the discussion of the personal factor, emphasis is placed on the views of those who look on personal deficiency as a result largely of previous unemployment or defective training—views that naturally suggest as a remedy the improvement of the industrial conditions responsible for this situation. Nevertheless a system of unemployment insurance is favored and the state expected to assist in providing the insurance.

American theory as represented by men connected with charity administration formerly based responsibility largely on the individual. The earlier economists placed some emphasis on industrial conditions and the immobility of labor. Our tramp laws with their meager appreciation of the real problem are discussed and are an indication of ineffective thinking on the causes of unemployment. Recent theory lays great stress on industrial disorganization, while immigration is also considered an important factor. The ameliorative program is largely based on this reasoning.

The author very properly concludes that the investigation of un-

employment is sufficiently advanced to justify the development of a partial program of prevention. He presents suggestions by various investigators but does not outline a comprehensive plan such as that developed by the American Association for Labor Legislation. The student or reader must content himself with fragments of a program picked up here and there. Perhaps the chief criticism on the monograph is its failure, after admitting that "constructive work is the present need," to present a concise constructive program adapted to American needs. However, a complete discussion of relief and preventive measures would have carried the author far beyond the limits he placed on the scope of his work.

GEORGE B. MANGOLD.

ROWNTREE, B. S. *The economic needs of labour*. (London: Nelson. 1918. 3s. 6d.)

STOCKETT, J. N., JR. *The arbitral determination of railway wages*. Hart, Schaffner and Marx prize essays in economics. (Boston: Houghton Mifflin. 1918. Pp. xxv, 198. \$1.50.)

YATES, L. J. *The woman's part. A record of munitions work*. (London: Hodder & Stoughton. 1918. 1s. 3d.)

*The Canadian industrial disputes act*. Research report no. 5. (Boston: Nat. Indus. Conference Board. 1918. Pp. 28.)

*Hours of work as related to output and health of workers. Boot and shoe industry*. Research report no. 7. (Boston: Nat. Indus. Conf. Board. 1918. Pp. 76.)

*Industrial health and efficiency. Final report of the Health of Munition Workers Committee*. (London: Wyman. 1918. Pp. 182.)

*Labour legislation in Canada for the calendar year 1916*. (Ottawa: Dept. Labour. 1917. Pp. 95.)

*Wartime employment of women in the metal trades*. Research report no. 8. (Boston: Nat. Indus. Conference Board. 1918. Pp. 79. \$1.)

### Money, Prices, Credit, and Banking

*Organized Banking*. By EUGENE E. AGGER. (New York: Henry Holt and Company. 1918. Pp. 381. \$3.00.)

In these days when so much attention is being given to the study of the practical side of commercial banking, it is somewhat relieving to note that a few are still interested in the broader aspects of banking theory and principles. Here is an old field that is beginning to offer fresh opportunities for the American student. In the past he has grown accustomed to viewing the real functional side of commercial banking at a distance, *i.e.*, looking to other countries for the study of banking organization in its relation to

the varying needs of commercial communities. And the necessity of looking abroad for such data has doubtless had the effect of making the subject less tangible and interesting than it would have been if studied at first hand. The fact that we now have an organized banking system in our own country should go a long way toward arousing the interest of the student in its purely functional aspects.

The author of this volume clearly believes in emphasizing banking theory. While not pretending to contribute new material to that field of study, he has given to his subject-matter an organization that is both novel and suggestive, one that lends itself readily to the treatment of old points in their relation to new events. The first half of the book is devoted to chapters of a general nature on banking operations, deposits versus notes, the economic services of banks, elasticity of bank credit (mobility and expansion, overexpansion and contraction), foreign and domestic exchange, organization and protection of bank reserves. The second half deals with the requirements of a good banking system, banking in England, France, and Germany, the old national banking system, and the federal reserve. Two appendices contain a text of the Federal Reserve act and the regulations of the Federal Reserve Board.

One of the remarkable features of the book, which is intended both for the student and the general reader, is the fact that the more commonplace treatments of banking history, bank statements, forms and uses of commercial paper, etc., have been deliberately omitted on the ground that such material could readily be found in other treatises. In fact the author has so confined himself to the functional side of banking that for the general reader the book is almost worthless, and for the college student it will present a host of difficulties. A knowledge on the part of the reader of the mechanism of banking has been taken too much for granted, important principles are not carefully illustrated, and there is lacking that less refined subject-matter to which the student should at least be exposed if he is to gain a general knowledge of banking principles. As a text, therefore, the book will be found to have decided shortcomings although in itself it is not without merit. Its chief value for use in college classes lies in the fact that the chapters dealing with the federal reserve system are well organized and up to date.

There are indications that the book was hastily written. It is

full of awkward and confusing statements as, for example, in the opening sentence of chapter VI (p. 105) where the author says, "The process of clearing involves a balancing of reciprocal liabilities with ultimate delivery in cash or its equivalent only of differences." In the preface (p. iii) the author refers to W. Hamilton's *Readings in Money and Banking* when he obviously had in mind the collection of readings by C. A. Phillips. On page 60 is the statement that the "Bank of England notes, notes of our Federal reserve banks . . . are covered in fixed proportions by hard cash and by government bonds."

GEORGE E. PUTNAM.

*Washington University.*

#### NEW BOOKS

ESCOFET, C. M. *La crisis monetaria de Espana, causas y soluciones.* (Madrid: Cristóbal Masso Escofet. 1918.)

FISHER, I. *Stabilizing the dollar in purchasing power.* (New York: Dutton. 1918. Pp. 30.)

MANCHEZ, G. *Sociétés de dépôts, banques d'affaires.* (Paris: Delgrave. 1918. Pp. 269.)

MOREHOUSE, W. R. *Bank deposit building. Practical and proved methods of increasing your business and holding it.* (New York: Bankers Pub. Co. 1918. Pp. 254. \$3.)

Treats of methods used by banks to increase their business. There are chapters on employees' contests, home savings, Christmas savings clubs, school savings banks, and other methods whereby interest in a deposit account is aroused.

OSTERHELD, T. W., comp. *Economic phases of the war. Daily quotations in New York during the years 1912 to 1917 inclusive, of silver, copper, wheat, cotton, and certain railroad and industrial stocks, and increases in prices of all commodities as shown by the percentage increase in the index numbers of the "London Economist" and "Bradstreet's."* (New York: A. Iselin & Co., 36 Wall St. 1918.)

RENARD, R. *Le crédit en France.* (Paris: Rousseau. 1918. 2 fr.)

TANAN, M. L. and SHAH, K. T. *Indian currency and banking problems.* (Bombay: Ram Chandra Govind and Son. 1917. Pp. viii, 432.)

THALBITZER, C. *Die Skandinaviske Banker under Krigen.* (Copenhagen: A. Aschehong & Co. 1918.)

WINTERTHUR, F. *Die Pariser Börse und die französischen Aktienbanker im Krieg (1914-1917).* (Berne: Schweiz Verlagsgesellschaft. 1918.)

*Acceptance primer.* (New York: Foreign Trade Banking Corporation. 1918. Pp. 22.)

*Collection charges on checks, notes, drafts, acceptances, etc., through Webster and Atlas National Bank of Boston and other banks and trust companies affiliated with the Boston clearing house association.* (Boston: Pinkham Press. 1918. Pp. 221.)

*Facing the facts.* (Washington: National War Savings Committee. 1918. Pp. 3.)

Discusses by question and answer the need of saving in order to provide for the enormous sums needed by the government.

*Market prices appearing currently in technical and trade journals.* (Pittsburgh: Carnegie Library. 1918. Pp. 6.)

*War prices and house rents. Statistics showing (1) wholesale and retail prices, and (2) house rents, at the end of December, 1917, as compared with the pre-war level (July, 1914), August, 1915, 1916, and 1917, with an introductory note.* (Calcutta: Supt. Gov. Prtg. 1918. Pp. 39. 2s.)

*Wartime changes in the cost of living.* Research report no. 9. (Boston: Nat. Indus. Conf. Board. 1918. Pp. 78.)

### Public Finance, Taxation, and Tariff

*The State Tax Commission: A Study of the Development and Results of State Control over the Assessment of Property for Taxation.* By HARLEY LEIST LUTZ. (Cambridge: Harvard University Press. 1918. Pp. ix, 673. \$2.75.)

Professor Lutz's book on *The State Tax Commission* is the most important contribution thus far made by students of state and local taxation in the United States. It is a valuable addition to the splendid series of Harvard Economic Studies and well merits the distinction of having been awarded the David A. Wells prize for the year 1915-16.

Approximately three fourths of the American commonwealths now have a tax commissioner or a state tax commission. The work of these the author has studied intensively for several years, his inquiry taking him into most of the states for first-hand investigation. The volume under review presents the results of the studies made in some thirty states.

The state tax commission has grown out of the effort to solve the numerous problems connected with the general property tax and represents the latest stage in the development of a more or less centralized tax administration. Following, as the commission did, upon provision for the local review and equalization of assessments, state equalization, and state assessment of some of the more important public utilities, the author reviews the evolution of centralized administration in taxation and state boards of

equalization and assessments in chapters I, II, and III. Then, after a discussion of the organization and equipment of tax commissions, fourteen chapters are devoted to the office in thirty of the thirty-four states in which it was found at the time the book was published. A final chapter (XIX) brings together the author's conclusions, and a bibliography and index complete the volume.

Each tax commission is studied as it functions, perhaps as a reviewing and equalizing body, perhaps also as the original assessor of certain kinds of property, as the advisor of the legislative branch of the government, and as the supervisor of the local assessors. Inasmuch as the tax commission has played a conspicuous part in tax reform in recent years, almost every phase of taxation is discussed and with excellent results. Naturally administrative questions are kept in the foreground, and the book will doubtless be of great assistance in shifting the attention of students from questions of justice rather detached from the concrete situation to real problems as they have developed.

The reviewer may claim familiarity with taxation in California, Kansas, Indiana, and Illinois, and finds all of the details presented for these states to be accurate. His feeling is that the entire investigation has been made most carefully and that the writer has shown unusually good judgment. Moreover, the reviewer accepts all of the author's conclusions, among them one in favor of a commission with power to control the making of assessments by suggestion, cancellation and the making of new assessments, and, if necessary, the removal of inefficient or wrong-minded assessors; another against the so-called principle of separation most conspicuously developed in California; a third to the effect that the question of the superiority of gross earnings or of ad valorem taxes in the case of public utilities is to be decided largely by the circumstances under which they are employed; a fourth that placing the selection of local assessors in the hands of a state official or the tax commission is of doubtful wisdom.

Students of taxation and those having to do with tax administration or legislation will be repaid for a careful reading of Professor Lutz's book. Librarians who wish to collect the publications of tax commissions, permanent or special, will find the bibliography helpful, though it fails to give a few references which should not have been overlooked.

H. A. MILLIS.

*The University of Chicago.*



*The Conflict of Tax Laws.* By ROWLAND ESTCOURT. (Berkeley: University of California Press. 1918. Pp. 115-231. \$1.25.)

The evils resulting from the lack of coördination of the tax laws of the several states have been expounded so frequently that the need for reform may be taken for granted. The present essay is therefore wisely "limited as far as possible to a consideration of the difficulties which beset the path leading to coördination and to the suggestion of possible solutions." . . . (p. 124). The author believes that the process of coördination would be much simplified were it generally recognized that "approximately every taxable faculty, the yield from which will justify the expense and irritation of collection, will range itself under some half dozen heads or less" (p. 138). Accordingly five types of so-called major taxes are distinguished, namely: income, capital value, franchise, inheritance, and consumption taxes. The place of the income tax in a coördinated system of taxation is indicated briefly. The author agrees with those authorities who believe that state governments should develop systems of income taxation in co-operation with the federal government. He quotes with approval Professor Seligman's suggestion that state income taxes should be in the nature of additional levies superimposed upon the federal rates (pp. 181-182). Concerning the conflicting definitions of personal property, assessed under the general property tax, it is asserted that "the road to coördination in this particular matter will probably be found in the general abandonment of the assessment of personal property to the general property tax" (p. 159).

It is evidence of a rather easy optimism to say that "there should be no great difficulty in obtaining the adoption of a uniform attitude toward franchises" . . . (p. 156). An appeal for an extension of the concept of what constitutes a franchise for purposes of taxation is, however, well taken. It is urged that the definition be made to cover the privilege enjoyed by all forms of enterprise securing non-competitive profits. "The collection of a tax, the proceeds of which can be privately appropriated, is tax farming" . . . (p. 174). The modern recipient of monopoly returns is likened to the collector of tribute, and the conclusion is that the state should, through taxation, secure that tribute for the public treasury. This would, of course, be entirely consonant with the present-day tendency to regulate the profits and practices of types of business once regarded as purely private but now con-

sidered to be "affected with a public interest." In line with this advocacy of taking the profits of privilege is the evidently sympathetic attitude toward proposals for more drastic forms of inheritance taxation as an aid to the correction of economic inequality. As in the case of incomes, it is admitted that under any co-ordinated scheme, interstate complications connected with franchises and inheritances will necessitate federal control of state taxes levied upon such sources of revenue (pp. 195-196).

As one possible method of initiating a movement toward co-ordination, the author suggests that a comparative study be made of the tax systems of adjacent states. Exceptional taxes whose existence was not justified by exceptional circumstances could then be eliminated or, at any rate, the desirability of elimination would become patent. Tax commissioners, appointed from several states, might meet to confer upon points of agreement, presumably with a view to bringing the various tax systems into harmonious relation. Further inquiry might then lead to an application of the proposed plan to wider areas.

The greater part of the chapters on Variations in State Taxation (ch. 4, part I) and on Assessment of Taxes (ch. 2, part II) covers ground so familiar that repetition seems superfluous. The final chapter (saving a brief conclusion), entitled Collection of Taxes (ch. 3, part II), is emphatically illustrative of a defect in methods of arrangement which is perceptible throughout the essay. One would suppose that a chapter on Collection of Taxes placed under the general designation of Constructive Suggestions would deal with the methods of improving or standardizing collection systems. As a matter of fact, only brief reference is made to this subject, while the greater part of the chapter is concerned with causes operating to hasten coördination, such as shifts of residence with intent to escape undue tax burdens, pressure of the increase of public expenditures, etc. Unfortunately this is not the only instance in which the reader is left slightly bewildered by the heterogeneity of the material brought together under a common title. And a further cause of confusion is found in a liberal use of quotations, not always easily disentangled from the accompanying comments.

ANNA YOUNGMAN.

Wellesley College.

*The Single Tax and the Labor Movement.* By PETER ALEXANDER SPEEK. Bulletin of the University of Wisconsin, No. 878,

Economics and Political Science Series, Vol. 8, No. 3. (Madison, Wis. 1917. Pp. 180. 25 cents.)

This monograph is a detailed study of the relation of the single tax agitation to the labor movement in New York in the eighties. It is not, as the title would indicate, an account of the relations of these movements at all times and places. These relations did not end in 1888, as the author states on page 155. Labor organizations have had a considerable part in single tax campaigns since 1908, notably in the western states. In fact, they have been about the only non-single-tax organizations to endorse the single tax measures and support them at the polls. However, Henry George's connection with the United Labor Party in the years from 1886 to 1888 is much the most important episode in the relations of the two movements.

Both the single tax and socialism made their entrance into American political life in connection with the activities of the trade unionists of New York City during this period. In 1886 the members of the Central Labor Union of New York City became convinced that their aggravated economic and legal grievances could best be remedied through political action. Choosing Henry George as their leader, they nominated him for the mayoralty of New York. In a hurried campaign he came startlingly near to election: he received 68,000 votes, as compared with 90,000 for Abram S. Hewitt and 60,000 for Theodore Roosevelt. Following this election it appeared that a new labor party had entered into American politics. Henry George, as leader of this party, undertook to broaden it into a national single tax party for all classes and conditions of men. But the socialists, who had worked in the campaign under his leadership, contested this move and strove to make the organization a party of the masses. Dissensions arose, the party split, and finally disbanded after a poor showing in the national elections of 1888.

The significance of these events is that they constituted a process of experimentation in method of activity for single taxers, socialists and trades unionists. These years were an important period in the evolution of these movements, and through the dissensions of the United Labor party the tactics of each were more clearly worked out. The single taxers have chosen to be political opportunists and to appeal to all classes upon specific issues rather than to maintain a permanent political party; the socialists have on the whole remained politically independent, steering clear

of entangling alliances; and the trade unionists have striven for concrete economic ends rather than for less definite theoretical issues. The broader programs of neither the single tax nor socialism made more than a superficial impression upon the labor movement in the eighties, and that impression has not deepened greatly in subsequent years. The doctrines of the single tax are not simple enough readily to be grasped by the average mind, and the native American workingman is not instinctively a class conscious individual.

Dr. Speck's monograph is thorough, interesting, and on the whole judicial. As Professor Commons points out in his foreword, the author approached the investigation of American social movements after having participated in radical social movements in Russia, from which country he was expelled following the revolution of 1905. Because of this background of experience, his discussion of radical movements in America is the more instructive to American readers. However, the author's experience leads him to exaggerate the relative importance of conflicts between single taxers, socialists, and anarchists, as compared with the conflicts between these radicals and the conservative elements of society (pp. 22, 76). Revolutionary class action contrasts so strongly with changeable American politics that the author has difficulty in understanding Henry George's opportunism, which caused the latter to lead the single taxers out of the United Labor party when it was disintegrating, and to declare for the concentration of single tax effort to further the cause of free trade and other specific tax reforms which tend in the direction of the single tax. Failure to understand George's support of Cleveland in 1888 betrays the author into the statement that the Democratic party was "badly beaten" in the election of that year (p. 154), when Cleveland's popular vote exceeded that of Harrison and when New York State went to the Republicans by only a few thousand votes. The United Labor party played an inglorious part in the campaign, and perished under the stigma of a "deal" with the Republicans.

ARTHUR N. YOUNG.

*Washington, D. C.*

*Taxation in the Urban Municipalities of Saskatchewan.* By ROBERT HAIG. (Regina: The Department of Municipal Affairs. 1918. Pp. 48.)

Professor Haig prepared this report for the government of

Saskatchewan, at the request of the urban municipalities of the province for some such investigation. It has been felt ever since the collapse of the boom in real estate in 1912 that there was great need for the adoption in Saskatchewan of measures of fiscal reform of a fundamental and constructive nature. To analyze present conditions and to prepare plans for far-reaching taxation reform was the heavy responsibility placed upon Mr. Haig; and the report under review is the outcome of his researches in urban municipal finance in the province.

It may be said that previous to this investigation two separate committees—the one composed of ratepayers and officials, and the other of members of the Union of Saskatchewan Municipalities—had grappled with the problem of taxation reform in Saskatchewan, and had reached certain definite conclusions, the substance of which is embodied in Mr. Haig's report. Commissioner Yorath, of Saskatoon, outlines these conclusions as follows:

(a) That the present burden of taxation is borne almost entirely by one class of citizens, *i. e.*, the owners of real estate.

(b) That the assessment for taxation is upon a wrong basis.

(c) That the distribution of provincial taxation and license fees as between the urban and rural communities is not equitable.

(d) That the final procedure in collecting arrears of taxes, *i. e.*, obtaining title to property sold at tax sales, is cumbersome, and the fees charged by the Land Titles Office in connection therewith, are excessive.

(e) That a new scheme of taxation is urgently required which will provide for distribution of taxes as evenly as possible over all classes of the community, and which will insure the prompt collection of current revenues to meet current expenditures.

Professor Haig devotes 41 out of 48 pages in his report to establish the soundness of the above conclusions. There is nothing new, therefore, to be discovered here. On the other hand, however, students of Canadian provincial taxation will be grateful for the care and accuracy with which the data bearing upon municipal finance in Saskatchewan have been collated and presented by Mr. Haig. His general deductions may be summarized as follows:

(a) Speculative land values have been greatly reduced within the past five years, but assessments still exceed actual market values.

(b) That tax levies have been reduced to a minimum, controllable expenditures considered.

(c) That the rate of taxation has been increased as assessments have been lowered, to take care of fixed expenditures in connection with interest and sinking funds.

(d) That the nearer a municipality came to applying the principles of the single tax, the graver became the problem of tax arrears.

(e) That new sources of income must be discovered to provide the funds essential for municipal requirements.

In part II Professor Haig gets close to the real question at issue, namely: How are the urban municipalities of Saskatchewan to find the revenue necessary to cover fixed and current requirements, and collect that revenue in the most effective and equitable manner? Mr. Haig's answer, or rather suggestion, is to be found in the recommendation that the assessments on land values be reduced; that improvements be assessed up to 60 per cent of their market value; and that the rate of taxation be fixed by law at not more than 20 mills on the dollar. In addition, Professor Haig suggests that larger use be made of the business tax, but according to what method and to what degree, no guidance is given.

Mr. Haig regards with disfavor the present municipal income taxes in the province because of the expense involved in collection and the difficulty in getting at actual income. He rejects also the proposal to impose a provincial income tax, in which the municipalities might share. It will thus be evident that the author offers no constructive program of fiscal reform. He would place main reliance, in raising adequate municipal revenues, upon the present scheme of taxation, merely adapting the present taxes to fit the new situation, particularly by lessening the burden upon land and shifting it to improvements.

Ability to pay is no doubt the most equitable principle to apply in raising public revenue—but this principle must not be oversimplified, or worked to death by rule-of-thumb methods. Mr. Haig suggests, and even advocates, a fixed assessment of 60 per cent of the market value of improvements as approximating ability to pay; but such an assessment, especially since nothing is to be secured from an income tax, is almost certain to violate the principle of ability to pay, particularly in view of the fact that the heavy fixed expenditure of western Canadian municipalities compel them to make the tax levies high. It is a mere assumption to suppose that owners of improved property can carry the main part of the financial burden. True, as is pointed out by Mr. Haig, taxes on improvements will be shifted to the tenant; but in these days of high prices rent payers already find it sufficiently difficult to make ends meet. As for a legal maximum rate of 20 mills on the dollar, it might just as well—as Commissioner Yorath, of



Saskatoon, points out—be 10, so far as facilitating tax collections is concerned. The rate must necessarily be governed by the tax levy, as well as by the level of assessment.

In the reviewer's opinion the income tax may be relied upon in the future to provide a considerable part of the municipal revenue, and this notwithstanding the fact that a federal income tax has been recently provided for. Through the lists compiled for federal purposes, it should be easily possible to impose a provincial income tax, in which the municipalities would share. As it is, it is notorious that many of the wealthiest corporations and persons in Canadian municipalities escape carrying their just share of the tax burden.

While the reviewer disagrees, in the specific cases cited, from the conclusions reached, he must add that sound workmanship and keen critical ability have been displayed in this report by Professor Haig. Within a brief compass Mr. Haig has compressed a great deal of extremely valuable material on taxation in the urban municipalities of Saskatchewan, and has presented that material in a clear and cogent manner. Students of finance, and Canadians in particular, will be grateful for this work.

W. W. SWANSON.

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#### NEW BOOKS

- ABATE, E. *La diversificazione tributaria e l'imposta sul reddito*. (Borgo: S. Lorenzo. 1918. Pp. 347. 9 l.)
- ASCOLI, F. D. *Early revenue history of Bengal*. (Oxford: Clarendon Press. 1917. Pp. 272. 4s. 6d.)
- BATARDON, L. *Les taxes sur les paiements et sur les dépenses de luxe*. (Paris: Dunod & Pinat. 1918. Pp. viii, 112. 3.60 fr.)
- FITZPATRICK, J. T., editor. *Tax law of the state of New York, being l. 1909, chap. 62, entitled "An act in relation to taxation, constituting chapter sixty of the consolidated laws" with all amendments to the end of the legislative session of 1918*. (New York: Baker, Voorhis & Co. 1918. Pp. 283. \$2.)
- GRIZIOTTI, B. *Teoria dell'ammortamento delle imposte e sue applicazioni*. (Rome: Athenaeum. 1918. Pp. 96.)
- HOLMES, G. E. *Supplement to federal income tax, including tax on undistributed net income, capital stock tax, war excess profits tax, and stamp tax*. (Chicago: Callaghan. 1918. Pp. 659-905.)
- HUANG, H. L. *The land tax in China*. Columbia University studies

in political science, vol. LXXX, no. 3. (New York: Longmans. 1918. Pp. 180. \$1.50.)

JORGENSEN, E. O. *The first step to world democracy; one hundred reasons why America should adopt, immediately, the greatest social and industrial reform of modern times—the single tax upon land values.* (Indianapolis: The author. 1918. Pp. 92. 15c.)

KANG, L. C. *Etude critique sur la dette publique de la Chine.* (Paris: Jouve. 1918.)

KENT, R. A. *A study of state aid to public schools in Minnesota.* (Minneapolis: Univ. Minn. 1918. Pp. 183. \$1.)

LAWRENCE, F. W. P. *Levy on capital.* (London: George Allen and Unwin. 1918. Pp. 94. 2s. 6d.)

LOBOS, E. *Organizacion del credito y los proyectos financieros.* (Buenos-Aires. 1917. Radaelli. Pp. 77.)

MUSSEY, H. R., editor. *National conference on war economy. A series of addresses and papers presented at the national conference on war economy held under the joint auspices of the Bureau of Municipal Research and the Academy of Political Science in the City of New York, July 5-6, 1918.* Proceedings of the Academy of Political Science in the City of New York, vol. XIII, no. 1. (New York: Am. Acad. Pol. Sci. 1918. Pp. iv, 134.)

NELSON, G. N. *Supplement to income tax-law and accounting, 1918.* (New York: Macmillan. 1918. Pp. 79.)

POWELL, H. M. *New York franchise tax on manufacturing and mercantile corporations (state income tax).* (New York: William Boyd Press. 1918. Pp. xi, 152.)

RIST, C. *La situation financière de l'Allemagne, de l'Autriche-Hongrie et de leurs alliés.* (Paris: Tenin. 1918. 2 fr.)

SCIALOJA, V. *Studi di politica, finanza ed economia.* (Rome: Athenaeum. 1918.)

STONER, J. B., compiler. *Systems for equalizing, assessing and collecting of taxes.* (San Antonio, Tex.: The author. 1918. \$10.)

WILBER, J. F. *Progress and its enemies; showing the fallacy of the single tax theory, and some other enemies of progress.* (Somerville, Mass.: The author, 42 Franklin St. Pp. 103. \$1.)

WOODRUFF, C. R. *A new municipal program.* National Municipal League series. (New York: Appleton. 1918. \$2.)

*Income tax and dividends; earnings from which 1917 dividends have been declared.* (New York: Poor's Manual Co., 80 Lafayette St. 1918. Pp. 48. \$1.)

## Population and Migration

## NEW BOOKS

EASTMAN, P. R. *A comparison of the birth rates of native and foreign-born white women in the state of New York during 1916.* (Albany: New York State Department of Health, Division of Public Health Education. 1918. Pp. 15.)

Mr. Eastman's study is somewhat more elaborate than that of Dr. Davis noted on page 852 and is correlated with other studies along the same line. It is a welcome supplement to the work of Kuczynski, Young, and the United States Immigration Commission. His Table V, "A comparative study of the fecundity of native and foreign-born white mothers together with their success in rearing their children," is especially noteworthy, and enters a field which has had altogether too little cultivation by our American vital statisticians.

A. B. W.

GALEOT. *L'avenir de la race. Le problème du peuplement en France.* (Paris: Nouvelle Librairie Nationale. 1917. Pp. 344.)

JORDAN, E. *Contre la dépopulation. Le point de vue catholique.* (Paris: Bloud & Gay. 1917. Pp. 32. 0.50 fr.)

KRUG, A. *Pour la repopulation et contre la vie chère.* (Paris: Berger-Levrault. 1918. Pp. xil, 304. 4.50 fr.)

MAGNUSSON, L. *Norwegian laws concerning illegitimate children.* Legal series no. 1. Bureau publication no. 31. (Washington: Children's Bureau. 1918. Pp. 37.)

SMITH, E. J. *Race regeneration.* (London: King. 1918. 7s. 6d.)

WATTAL, P. K. *The population problem in India. A census study.* (Bombay and London: Bennett, Coleman & Co. 1916. Pp. ii, 83.)

This is a dismal book, as anything on the population of India must be. It is the more dismal, however, in that it reveals the existence of persons who argue that there is plenty of room for more people even in Hindustan—and this in the face of certain little short of hideous facts brought out by the vital statistics of the Indian census. Child marriage and infant mortality keep the population down. The following table of birth rates speaks for itself:

	England	India
Crude birth rate (1911).....	24.4	38.6
Birth rate per 1,000 women 15 to 45 years of age.....	98.0	128.0
Birth rate per 1,000 married women 15 to 45 years of age	196.0	160.0

The book contains very valuable material for the student of population. Mr. Wattal sees no relief for population pressure in India except through some form of birth control, preferably "moral restraint"; but he, naturally, does not tell us how any form of birth control propaganda is going to make headway in a land where public opinion makes unmeasured fecundity the highest religious duty.

A. B. WOLFE.

*Fourteenth and subsequent decennial censuses, hearing.* Parts 8-11. (Washington: Supt. Docs. 1918. Pp. 177-253.)

*Report on Fresno's immigration problem with particular reference to educational facilities and requirements.* (Sacramento: State Commission of Immigration and Housing. 1918. Pp. 28.)

### Social Problems and Reforms

*The Unmarried Mother.* By PERCY GAMBLE KAMMERER. Criminal Science Monograph. (Boston: Little, Brown and Company. 1918. Pp. xiv, 342. \$3.00.)

This study is based upon 500 cases culled from the records of charity organizations in and about Boston, and aims principally at an inductive determination of the causes of illegitimacy. Only 69 of the 500 cases are described in detail and these are used to illustrate the various groups of causative factors which the author gradually discerned from analysis of his material. The reader interested in human documents, nearly all it is unnecessary to state of a very drab hue, will turn to chapters 3 to 16 which give the case histories. The relative importance of causes, as classified by Mr. Kammerer, is given in Appendix A.

Although only 132 out of the 500 mothers whose cases were studied had had mental examinations, Mr. Kammerer is of the opinion that approximately a third of the 500 were mentally abnormal. In the remaining two thirds bad home conditions appear as a "major factor" in 194 cases and a "minor factor" in 158. Bad companions appear as a factor in 144 cases, bad environment in 85 (p. 320). It is significant that 31.6 per cent of the 500 women were domestic servants, and 26.2 per cent factory workers, while the next highest percentage, 9.2, falls to girls "at home" (p. 329). The author reviews European experience; nowhere is domestic service other than dangerous, especially to the girl from the country (p. 270). "Defects of heredity" appear as a factor, and then a minor one, in only 48 cases. The author disclaims the adequacy of the data to throw much light on this question, but he rightly notes "a tendency on the part of some social workers to solve the complexities of human motivation by the easy method of throwing the responsibility upon the ancestors" (p. 182).

Chapter 18, on the unmarried mother in various countries, might well have been expanded, especially where it deals with European laws with regard to illegitimacy. It is a far cry from the law of England, where only an act of parliament can legiti-

mize a child born out of wedlock, to that of Norway where the illegitimate child has practically all the rights of the legitimate. Commenting upon this modern legislation, the author says:

Most of the legislation . . . is seeking to help the mother, if by so doing it helps the child. There is thus an absence of the retributive element in the State's attitude and a frank acknowledgment that the situation exists, and that nothing should interfere with the State's interest in the child who is to be a future citizen. . . . That the State should take a part in the handicapping the child because of its mother's misdeeds, is an argument which few would uphold.

We may be quite sure that this view will gain ground rapidly in all countries, especially as we must probably look forward to an increase in the illegitimacy rate, which up to 1914 had been declining. The author accepts Prinzing's conclusion that the amount of illegitimacy is directly correlated with the excess of the number of unmarried women aged 15 to 50 over the number of men aged 20 to 60 in a community.

Coming to measures to keep down the illegitimacy rate, the author proposes (1) the control or segregation of mentally abnormal women during child-bearing age; (2) the enactment of laws reflecting European experience in regard to the unmarried mother, together with propaganda "indicating to how large an extent society forces both the mother and the child into criminality"; (3) improvement in general social conditions, including housing, home environment, and recreational facilities; (4) improvement of the surroundings of the girl during working hours; (5) revision of the public attitude toward questions of sex in general.

Mr. Kammerer is to be congratulated for carrying through a difficult investigation and making a valuable contribution to the literature of what is certain to be one of the many intricate and vital problems of the era of social and economic reconstruction now rapidly bearing down upon us. The volume is prefaced by a cordial introduction by Dr. William Healy. A bibliography is appended.

A. B. WOLFE.

*University of Texas.*

#### NEW BOOKS

BACON, C. *Standard catalog. Sociology section.* (New York: H. W. Wilson. 1918. Pp. 99.)

"One thousand titles of the most representative and useful books on social, economic, and educational questions."

BREWER, J. M. *The vocational guidance movement. Its problems and possibilities.* (New York: Macmillan. 1918. Pp. xi, 333. \$1.25.)

Professor Brewer's book gives the layman a clear conception of the meaning of the term and a definite idea of the means of approach. While the book contains nothing original, it is not at all a compilation. The author has shown marked ability in sifting and arranging material, and has been fair-minded in his selection. It is an excellent book for the student of educational and social problems to read as a preliminary measure to definite and closer contact with the various ideas and notions behind the vocational guidance movement. The reviewer uses the word "notions" quite deliberately, for in his experience he has seen more foolish thought and practice in vocational guidance than in any other vocational movement. Professor Brewer has set before us the field and leaves us free to build upon the sortings of ideas, good and bad. He opens the way for another book equally honest in its endeavor but more scientific, less influenced by what has been done and more concerned with what may be done in the educational and vocational directing of youth.

A. D. DEAN.

CARTER, H. *The control of the drink traffic: a contribution to national efficiency, 1915-1917.* (London: Longmans. 1918. Pp. 323. 7s. 6d.)

CATLIN, L. C. *The hospital as a social agent in the community.* (Philadelphia: Saunders. 1918. Pp. 113. \$1.25.)

CLEMENT, I. *Teaching citizenship via the movies. A survey of civic motion pictures and their availability for use by municipalities.* (New York: Municipal Reference Library. 1918. Pp. 19. 10c.)

CRAFTS, L. W. *Bibliography of feeble-mindedness in its social aspects.* (Faribault, Minn.: Minnesota School for Feeble-Minded and Colony for Epileptics. 1917. Pp. 73.)

FARIES, J. C. *The development in England of a state system for the care of the disabled soldier.* (New York: Red Cross Institute for Crippled and Disabled Men. 1918. Pp. 18.)

JOHNSON, W. E. *The federal government and the liquor traffic.* Second edition revised and enlarged. (Westerville: Am. Issue Pub. Co. 1917. Pp. 364.)

HALL, M. *A practical sociology.* (New York: Scribners. 1918. \$1.)

HARPER, S. *Vocational reëducation for war cripples in France.* (New York: Institute for Crippled and Disabled Men. 1918. Pp. 97.)

HEIGHTON, J. H. *The place of the voluntary worker in civic life and social work.* (London: Simpkin, Marshall & Co. 1918. Pp. 36. 3d.)

HOLLISTER, H. A. *The woman citizen. A problem in education.* (New York: Appleton. 1918. Pp. xviii, 305. \$1.75.)



Two of the chapters, pages 142 to 179, are entitled *Woman as an Industrial Worker* and *The Economic Independence of Women*. The first of these touches upon problems of minimum wage, health, social idlers, and industrial training. The second is a survey of the occupations and professions into which women are entering. Each chapter is followed by a statement of problems and a brief bibliography.

- IRVING, H. B. *A book of remarkable criminals*. (New York: Doran. 1918. Pp. viii, 315. \$2.)
- JENKINS, F. W. *Child welfare in war time. A bibliography*. (New York: Russell Sage Foundation. 1918. Pp. 4.)
- JOHNSTON, F. E. *A bibliography of social service*. New edition. (New York: Federal Council of Churches of Christ in America. 1918. Pp. 40. 10c.)
- LEAKE, A. H. *The vocational education of girls and women*. (New York: Institute for Crippled and Disabled Men. 1918. Pp. 97.)
- MACARA, C. W. *Social and industrial reform*. (London: Bart. Sheratt and Hughes. 1918. 5s.)
- MAROT, H. *Creative impulse in industry; a proposition for education*. (New York: Dutton. 1918. Pp. 22, 146. \$1.50.)
- MCDERMOTT, V. D. and TROTTER, A. E. *Chicago social service directory*. Second edition. (Chicago: Burmeister Prtg. Co. 1918. Pp. vi, 271.)
- MENGE, E. J. *Backgrounds for social workers*. (Boston: Badger. 1918. Pp. 214. \$1.50.)
- SPOONER, H. J. *Wealth from waste*. (London: Routledge. 1918. 7s. 6d.)
- WEEKS, A. D. *Social antagonisms*. National social science series. (Chicago: McClurg. 1918. Pp. 142. 60c.)
- WHITAKER, C. H. and others. *The housing problem in war and in peace*. (Washington: Journal of Am. Inst. of Architects, The Octagon. 1918. Pp. 116.)
- Child welfare in Oklahoma; an inquiry by the National Child Labor Committee for the University of Oklahoma*. (New York: Nat. Child Labor Comm., 105 East 22d St. 1918. Pp. 285. 75c.)
- Infant welfare in Germany during the war*. Prepared in the Intelligence Department of the Local Government Board. (London: Wyman. 1918. Pp. 37. 6d.)
- A proposal for the establishment of a new town*. (London: H. Clapham Lander, 127 Central Bldgs., Westminster. 1918. 2s.)
- Thrift by household accounting*. Third printing. (Baltimore: Am. Home Econ. Assoc., 1911 Cathedral St. 1918.)
- Report of the Housing Commission, City of Des Moines*. (Des Moines, Ia.: The Commission. 1918. Pp. 64.)

*The welfare work of the Metropolitan Life Insurance Company for its industrial policy-holders.* Report for 1917. (New York: The Company. 1918. Pp. 23.)

*Whittier State School biennial report, 1916.* (Whittier, Calif. 1917. Pp. 245.)

The report of the department of research covers the history of the work, organization and equipment, nature and scope, the measurement of intelligence, heredity and delinquency, environmental factors, and study of delinquent conduct.

## Insurance and Pensions

### NEW BOOKS

HODGE, J. M. and GARSIDE, T. H. *War pensions and allowances.* (New York: Hodder and Stoughton. 1918. Pp. 463.)

JONES, F. R. *Workmen's compensation law of the state of New York.* Revised with amendments, May, 1918. (New York: Workmen's Compensation Publicity Bureau, 80 Maiden Lane. 1918. Pp. 67. 25c.)

JOYCE, J. A. *A treatise on the law of insurance of every kind.* Second edition. Vol. 4. (Rochester, N. Y.: Lawyers Coop. Pub. Co. 1918. Pp. 2507-4885. \$7.50.)

MILLER, G. R. *Social insurance in the United States.* The national social science series. (Chicago: McClurg. 1918. Pp. xii, 136. 60c.)

The National Social Science Series, issued under the editorship of President F. L. McVey, is a collection of brief, non-technical studies on present-day questions, to which has just been added this small volume by Dean Gurdon Ransom Miller of the Colorado State Teachers College. Mr. Miller has given in popular form, an account of the important aspects of social insurance in the United States, covering such topics as the attitude of the public towards social questions in general, workmen's compensation for accidents, health insurance, unemployment insurance, old age support and the general educational value of social insurance to the people of a country. Perhaps it is too much to ask from a treatise written within the limitations of the present one, but the failure to mention such subjects as survivors' (widows' and orphans') insurance, the insurance of salaried employees, the systems of maternity benefits in force in many countries makes one regret the loss of this opportunity to call the attention of American readers to these possibilities of maintaining a high standard of life. The book is an argument for the adoption of various forms of social insurance in the United States.

H. J. H.

WOODBURY, R. M. *Social insurance: an economic analysis.* Cornell studies in history and political science, vol. 4. (New York: Holt. 1917. Pp. x, 171.)

In this doctor's thesis Professor Woodbury has given an analysis of the incidence of the burden of insurance against accidents, sickness, and so forth, and has drawn some conclusions of interest to students of the subject. Because of the more complete data available, the discussion is based almost entirely on German experience.

In the review of the evidence as to whether the employer bears the cost of social insurance or whether he is able to shift it to the wage-earner in the form of reduced wages, the conclusion is reached that the dividends paid by the industries affected have continued to be reasonable during the period of steadily increasing assessments on these industries and that their competitive ability in foreign markets has not been impaired. There has not been any reduction in wages which can be traced to insurance burdens, in fact wages have risen generally during the life of the insurance acts. The addition to costs due to insurance charges has been absorbed in a variety of ways, such as improvements in technique, increase in wholesale prices, savings in raw materials, and so forth. Naturally, the larger establishments have greater opportunities for adopting such economies than the smaller ones and the well known tendency for industrial plants to increase in size has aided the efforts in this direction. As a rule, the insurance charges seem to average about 1 to 2 per cent of the total cost of production and in some industries the percentage of total cost is negligible. Since the enactment of the accident insurance law, there has been a consistent and continued decrease in the rate of serious accidents and this has aided in decreasing the insurance costs.

Much of the ground covered by the writer is familiar to students of the subject, but the argument is well developed and the volume will prove of value in the task of introducing legislation on social insurance in this country.

H. J. HARRIS.

*Negligence and compensation cases annotated, with pleadings and forms.* Vol. 15. (Chicago: Callaghan. 1918. Pp. xlv, 1128.)

## Pauperism, Charities, and Relief Measures

### NEW BOOKS

BARNES, H. E. *A history of the penal, reformatory and correctional institutions of the state of New Jersey. Analytical and documentary.* (Trenton, N. J.: MacCrellish & Quigley. 1918. Pp. 654.)

DEPERT, L. *Administration et liquidation des sociétés de secours mutuels.* (Paris: Giard & Brière. 1918. 2 fr.)

FELT, D. E. *Organized charities and social welfare work. From the viewpoint of an employer.* (Chicago: Felt & Tarrant Mfg. Co., 1713 N. Paulinn St. 1918.)

McCLENAHAN, B. A. *The Iowa plan for the combination of public and private relief.* University of Iowa monographs. Studies in the

social sciences, vol. V, no. 3. (Iowa City: The University. 1918. Pp. 73.)

In every state the granting of public relief in the sparsely settled communities or the small towns has become a problem of considerable importance. In most localities the work is done very unsatisfactorily, largely because of the political control of the departments of poor relief and the utter absence of modern standards of social work. In a number of states serious efforts have been made to meet this trying situation, and in Iowa an experiment of some years' standing has obtained good results. The so-called "Iowa plan" consists of a combination of public and private agencies, that is, of the county or the city relief department with the local charity organization society or kindred organization. Funds are provided from both sources, although most of them are appropriated by the public agencies. The system has been tried in a number of the leading towns and counties with such results as the following: the practical elimination of politics in the appointment of trained workers; careful investigation of applicants for relief; constructive work with families; better care of dependent and delinquent children; improvement in administration of mothers' pension law; reduction in cost of material relief; and increase in many forms of useful social service.

The plan, however, involves a number of dangers. There is a possibility of the development of dictatorial policies and of making the economy issue a dominant one. Furthermore, it may result in lessening the sense of public responsibility. Nevertheless, the gains that have been made are unmistakable and the personnel of the workers is almost certain to consist of a much higher type than formerly. Hopeful results should, therefore, be expected. It is believed that the plan represents a distinct contribution to method in the field of applied philanthropy.

GEORGE B. MANGOLD.

### Socialism and Co-operative Enterprises

*Le Socialisme contre l'Etat.* By EMILE VANDERVELDE. (Paris: Berger-Levrault. 1918. Pp. lvi, 174. 3 fr.)

The essential parts of this book were written before the war. The author is one of many socialists who had already taken alarm at the growth of state powers. As a student and even more as a responsible politician of long experience he had noted the alliance between capitalism and governments. This in his view is *l'Etatisme*, but in no sense is it socialism. He lays great stress on the technical and fiscal reasons for this dangerous enlargement of state activity. All this he sets down as sharply opposed to the real claims of the working class.

For years states have taken over monopolies because the money

was needed as well as the political influence. France is not a good manager of her tobacco and match monopolies, but she makes them an easy and safe source of revenue.

As war has forced great industries under state control heaping up meantime debts that generations cannot pay, the authorities will cling to every form of industry which promises fiscal help and political influence. M. Vandervelde aims to distinguish *cette étatisation* with its "*dictature économique*" from socialism. To the author, there is little hope for socialism unless it becomes genuinely democratic and free from a too centralized bureaucracy.

His main thesis is how these actual powers of the state can be captured by the working classes. It is assumed that nowhere, not even in Switzerland, have the workers got any real control over the capitalistic forces. With the full weight of laws and traditions behind them, these forces have easy skill to use and to adapt the most advanced reforms. State socialism is little more than the taking over this and that particular enterprise from the private capitalist and giving it into charge of a capitalist *class* in control of government. Socialists of every shade agree that this control must be won over by the proletariat. To the syndicalist despising parliaments, a revolution is necessary as a first step. To opportunist socialism, the battle is to be won through the give-and-take of political action.

Between these two the author moves with perfect temper and with an intellectual toleration which never forsakes him. No socialist of prominence has more of the statesman and the scholar. He disagrees from Guesde as he does from the extreme syndicalist Pouget and from the pliant politician Millerand, but he insists that these are not only to be heard, but heard *at their best*. There is never a polemical trick to get advantage of an opponent.

In the present volume, the reader is a little surprised that the orthodoxies of Marx and Engels seem so essential to his purpose. He makes much of what these high priests meant by the state. They were the very "*contre-pied to l'étatisme*." They were not for the omnipotence but for the abolition of the state. Engels, explaining Marx after his death, speaks of those free and equal associations among producers that should merely *use* the state for their own ends:—use it until they got the power, after which "*rélequer la machine de l'Etat au Musée des antiques*." The vulgar idea of socialism identifies it with what Germany at once became after 1914, where we see the triumph of "*la dictature écon-*

omique." In this sense he says all Germans have become practicing socialists. Because Dr. Liebknecht is *not* this, he went to prison. The author believes that a great deal of what has gone to the state since the war will at its close go again to private hands, *but* side by side with these returns, the state will hold on to certain great industries and will create others of its own. This is *l'Etatisme* rooted in authority and rigorously governing the people. To free itself from this incubus is the task of socialism.

A long introduction deals with socialism under its reformist, syndicalist, and democratic aspects.

In the remaining 164 pages we see the struggle to secure political power (part first) and in part second, the democratic socializing of the means of production—to save individual liberty from "*l'Etat-pouvoir*" held and controlled by a master class.

The state *now* is the organ of a class. It "diffuses among this class monopoly privileges." The democratic socialism of M. Vandervelde is to destroy this capitalist monopoly while the privileges are passed on to the whole of us.

Decentralization is to play a great part in this change. It is claimed that not only Germany but Switzerland had begun this process. Napoleon wanted the Bank of France to be in the hands of the government but not too much so—*mais qu'elle n'y soit pas trop*. This is Vandervelde's position with a definite program of limitations regional and independent in local management. His best illustrations are from Swiss experience of the government railways.

This study gains in interest and in importance because of the character and experience of the author. Even more perhaps it gains because its thesis is but one of many signs of revolt against the actual state.

JOHN GRAHAM BROOKS.

#### NEW BOOKS

DRAKE, P. H. *Democracy made safe*. (Boston: LeRoy Phillips, 15 Ashburnham Place. 1918. Pp. 110. \$1.)

Although the author of this book does not use the word socialism, his program follows rather closely that of the many popular socialist writers, particularly those of the naïve, idealistic type. The mode of procedure is beautifully simple. All that is necessary is for everybody to agree to socialize industry and abolish money and profits, then to set a day; and on that day, presto! the new social order commences. The arguments are quite clearly and concisely presented, but readers who are familiar with radical literature will find little that is new or original.

G. L. ARNER.



HARRÉ, T. E. *The I. W. W. An auxiliary of the German espionage system.* (New York: R. M. Easley, 1 Madison Ave. 1918. Pp. 64. 25c.)

HOBSON, S. G. *National guilds.* (London: G. Bell & Son. 1918. Pp. 370. \$2.)

JOHNSON, J. E. *Selected articles on municipal ownership.* Third edition. (New York: H. W. Wilson Co. Pp. 334. \$1.50.)

MACGREGOR, F. H. *Municipal coal yards.* (Madison: Extens. Div. Univ. of Wisconsin. 1918. Pp. 23. 10c.)

SPARGO, J. *Social democracy explained. Theories and tactics of modern socialism.* (New York: Harper. 1918. Pp. 338. \$1.50.)

Mr. Spargo is well prepared by training and experience to explain social democracy. He has explained it many times in the past twelve years, and the present volume maintains the usual high standard of his work. Those who are not acquainted with his earlier books will find this one interesting and instructive, but readers who are already familiar with Mr. Spargo's point of view will find very little that is new. The chapters were written about four years ago, as a series of lectures and have not been materially revised since that time. The book is thus rather disappointing in that it discusses none of the many new developments in the socialist movement which have been so prominent since the beginning of the war. Mr. Spargo's own views, as he admits in the preface, have changed in some respects since the lectures were prepared.

The final chapter on the liquor problem does cover a subject which Mr. Spargo has not often discussed. He is now a strong advocate of prohibition and argues that socialists in America should follow the lead of those in Scandinavia, Austria, and Finland, and work for the destruction of the liquor traffic.

G. L. ARNER.

*The allied cause is the cause of socialist internationalism. An address to the socialists of all lands issued on behalf of the Social Democratic League of America and the Jewish Socialistic League.* (New York: Social Democratic League, J. G. Phelps Stokes, secretary. 1918.)

*The thirty-fifth annual report of the work of the Fabian Society for the year ended 31st March, 1918.* (London: Fabian Soc. 1918. Pp. 23.)

*Thirty-second annual report, for the year ended December 31, 1917, of the Labour Copartnership Association.* (London: Labour Copartnership Association, 6 Bloomsbury Sq., W. C. 1. 1918. Pp. 4.)

Statistics are given in regard to copartnership and profit sharing in British gas companies for 1917.

## Statistics and Its Methods

*The Private Wealth of Australia and Its Growth. Together with a Report of the War Census of 1915.* By G. H. KNIBBS. (Melbourne: Commonwealth Bureau of Census and Statistics, 1918. Pp. 196.)

This bulletin not only presents in detail figures concerning the topics naturally suggested by the title but it also constitutes a highly valuable textbook on ways and means of correctly measuring wealth and income; in fact, its interest to the statistician as a treatise on method will probably be far more enduring than its appeal to the general public as a source of information concerning Australian economic conditions.

The author proves himself to be a clearheaded economist and a keen statistical analyst by his discussion of the following topics: (1) the nature of national wealth; (2) the various modes of estimating wealth; (3) grades of ownership; (4) net income; (5) net assets. His really important contributions to economic thought are comprised under the titles: (1) the relations between wealth and income; and (2) the estimation of wealth from probate returns. The latter topic especially represents a great amount of research and careful reasoning combined with a very large amount of statistical work and a most adroit use of mathematics. It seems to settle definitely most of the much mooted points concerning the determination of wealth distribution among the entire population by an analysis of the records of estates probated. No one, hereafter, who is engaged in investigations of this nature can afford to proceed further until he has given careful attention to Mr. Knibbs's work, for it covers the field in a most masterly and scientific fashion, apparently far outranking any single study of this nature heretofore undertaken. The author has, in this respect, set a high standard of excellence well worthy of imitation by other government statisticians.

In the opinion of the reviewer, the form in which the statistics have been presented might have been materially improved in several respects. The titles of tables and graphs, especially the sub-headings, frequently are somewhat obscure; usually because clarity has been sacrificed to brevity. The chief defects of the study, however, lie in the nature of the figures presented. Net income and assets are stated for the various individuals, male and female. It is evident that in many instances these individual returns were from members of families containing two or more persons report-

ing income or wealth; but there is no evidence that such returns have been combined to indicate the correct "family" income. Since wealth and income must both, for most purposes, be considered as pertaining to the family as a whole, and not merely as personal perquisites, statistics showing individual holdings or receipts are necessarily of but minor value. But since the same defect is found so commonly in similar statistics in other countries, the Australian figures are comparable in some respects with those in the publications of other governments. Such data will, however, never be presented in their most useful form until wealth and income are calculated for each "family as a whole" and the total for each family is divided by the number of "consuming units" in that family in order to give the wealth or income per unit. Only in this manner can the various families and individuals of a nation be given even a reasonably accurate economic classification. This fact apparently did not suggest itself to those responsible for the Australian war census.

Another weakness appearing in those few of the tables which cover considerable periods of time is that no attempt has been made to correct the data for changes in the price level, and, as everyone knows, these changes have been far from negligible.

In taking the Australian war census of wealth and income, the inhabitants were depended upon to fill out and mail in their own returns. As many, doubtless, failed to do so, the per capita estimates of income derived in this manner are probably so much too low as to be practically worthless. The estimate of \$236 is the one arrived at, a figure presumably somewhat less than two thirds as great as the per capita income of the inhabitants of the United States at the same date. The private wealth of Australia was estimated upon an inventory basis and apparently is not subject to the error of incomplete returns. It is computed to be \$1,592 per capita in 1915 as compared with the estimates by the United States Census of 1912 of \$1,965 per capita. To make the Australian figures strictly comparable, it would be necessary to add the value of the railways and perhaps some other items to their totals, since government ownership in Australia is more extensive than in this country.

Though the figures given in the book are, unfortunately, comparable in but few respects with American statistics along similar lines, much raw material is furnished from which many interesting comparisons may hereafter be worked out. The book must, then,

be commended much more highly as a source of raw material and as a treatise on the method of studying wealth and income than as a finished description of Australian economic conditions.

WILLFORD I. KING.

NEW BOOKS

DAVIS, W. A. *A brief study of 2,000 birth certificates.* (Austin, Texas: Bureau of Vital Statistics. 1918. Pp. 12.)

Dr. Davis, State Registrar of Vital Statistics of Texas, presents in a simple and telling manner the deficiencies in returns under the new registration law. In the 2,000 certificates, for instance, 673 omit the name of the child, 278 the place of birth of the mother, 164 the birthplace of the father, 72 the birthplace of the child, 18 the date of birth, and so forth; 138 certificates were made out in pencil. This is all an index of the amount of education needed by the physicians, even of the more thickly populated and advanced portions of the state, before adequate compliance with the law can be looked for. Dr. Davis also gives some very interesting analyses of the content of the certificates. The results are not definitive or exhaustive but they are a valuable suggestion of the sort of information adequate registration will afford, and as such are of importance as an educative factor to the people of the state.

A. B. W.

HOFFMAN, F. L. *The malaria problem in peace and war. A consolidation of papers read at the annual meeting of the National Committee on Malaria, Memphis, Tenn., November 12, 1917 and the annual convention of the New Jersey Mosquito Eradication Commission, Atlantic City, N. J., January 31, 1918, materially revised and enlarged and brought down to date.* (Newark, N. J.: Prudential Press. 1918. Pp. 101.)

*Census of prairie provinces. Population and agriculture. Manitoba, Saskatchewan, Alberta.* (Ottawa: Census & Statistics Office. 1918. Pp. lxvi, 356.)

*Mortality statistics, 1916. Seventeenth annual report.* (Washington: Bureau of the Census. 1918. Pp. 543.)

*Statistics of fire departments of cities having a population of over 30,000.* (Washington: Bureau of the Census. 1918. Pp. 105.)

*Year book of the state of Indiana for the year 1917.* (Indianapolis: Secretary of State. 1918. Pp. viii, 883.)

*El movimiento del estado civil y la mortalidad de la República Oriental del Uruguay en el año 1917.* (Montevideo: Abelardo Vescovi, director general. 1918. Pp. 77.)

## DOCUMENTS, REPORTS, AND LEGISLATION

### Industries and Commerce

GOVERNMENT MARKETING OF AUSTRALIAN WHEAT. In connection with Mr. Duffus's article in the March issue of this REVIEW on "Government Control of the Wheat Trade in the United States," it may be of interest at the present time to add the following brief account of the experience of Australia along similar lines.

The first Australian wheat harvest following the outbreak of European hostilities (the crop of 1914-1915) was the poorest that country had had in years. In fact it was not sufficient to meet domestic needs and foreign wheat had to be imported. In view of the shortage and the high prices caused by the war, the farmers were encouraged to sow a greatly increased wheat acreage. This resulted in an exceedingly favorable yield in 1916 (over 180,000,000 bushels), which, combined with inadequate storage facilities and a shortage of ocean transport, threatened a serious price cutting at harvest time. The wheat farmers accordingly were very much disgruntled, but because of their impoverishment through the failure of the previous crop, they could not afford to hold their grain from the market. Grain buyers, moreover, because of the disturbance in the usual methods of marketing and high interest rates on loans, refused to accumulate wheat or undertake its export. Accordingly the commonwealth government (which, by the way, was a "labor government") was compelled to take steps to save the wheat growers from disaster by introducing one of the most interesting socialistic experiments of modern times.

The first step was to require the pooling of the whole wheat crop. No one, whether producer or dealer, was permitted to buy or sell wheat excepting through the government. The private chartering of vessels for wheat loading and export was also prohibited. This gave the commonwealth government a complete monopoly of the wheat trade and, by thus eliminating competition, ocean tonnage rates were kept down.

For the purpose of centralized control of the general crop movement, a Federal Board of Advice, consisting of grain dealers and shippers was instituted in Australia, and another in London. The London board was composed chiefly of the former agents and commission merchants of Australian wheat exporters. Under the supervision of the home Federal Board of Advice, local committees were organized in the wheat-growing states of the commonwealth. These local committees were

made up of representatives of farmers, merchants, millers, and government officials.

The general plan of wheat marketing instituted was to have the farmers deliver their crops to the state commissions. For this purpose the state commissions appointed as their agents local grain dealers or millers having facilities for handling and storing the grain. These were paid a fixed fee per bushel for the service of receiving, stacking, storing, and shipping.

No uniform or fixed price was paid the farmers for their product. When the farmer brought in his wheat to the local government agent, he was given an interim receipt certifying the quantity, quality, and weight received. The farmer then presented his receipt to the state commission in his district and received in exchange scrip certificates. This scrip had no face value, but the farmer could take it to a bank and receive a minimum advance (in 1916) of 2s. 6d. per bushel (about 60 cents). The government guaranteed the banks against loss on this minimum advance. Thus, the wheat growers were practically guaranteed a minimum price for their wheat, and at the same time they were offered participation in any advance that might take place in the world's market during the period of disposing of the crop.

The wheat was sold by the government both at home and abroad. The export marketing was done by the Federal Board of Advice in co-operation with its London committee. The price to home consumers was fixed from time to time by the state commissions in accordance with fluctuations in the world market value.

The lending of the banks on the scrip certificates would have been a serious strain on their funds were it not for the fact that the payment received by the government for the sale of the wheat was re-deposited in these banks. In order to help the financing of the crop, local mills were required to pay 90 per cent in advance for their purchases. Similarly, on payments in London for export shipments, the local banks credited the government with the amounts. Notwithstanding these measures, however, there was considerable tying up of bank funds in scrip loans and it is believed that a considerable part of the advances to farmers by the banks was debited to the government, against which was credited the receipts from wheat sales deposited by the government.

The farmers who did not care to receive from the banks the minimum guaranteed price for their crop were allowed interest on this amount at the rate of 5 per cent per annum, but no interest was charged the farmers on scrip advances by the banks. The scrip cer-



tificates, moreover, were negotiable and holders could dispose of their equity in them. The scrip therefore circulated much as grain warehouse receipts circulate in this country. There was at times considerable speculation in them, the price fluctuating in accordance with changes in the international wheat market. The ultimate value of the crop is determined when the whole of the crop is marketed, but interim dividends were paid to holders from time to time.

The success of this socialistic plan of wheat marketing would no doubt be complete were it not for transportation and shipping difficulties. Though world wheat values since the war have steadily advanced, ocean tonnage has become more scarce. The Australian government therefore has found itself the possessor of large quantities of wheat which cannot be marketed. Much of this grain has been damaged by mice and insects. From latest reports of the International Agricultural Institute at Rome, the wheat from last year's Australian crop still unmarketed is 130,000,000 bushels, and the recent harvest is said to have added 120,000,000 bushels to this amount. With totally inadequate warehouse or other storage facilities, it is extremely doubtful whether this vast quantity of grain can be protected from pests. Moreover, the carrying over of such huge stores imposes a heavy strain on the Australian banks. If the recent efforts to provide tonnage to transport Australia's wheat surplus to American Pacific coast ports do not meet with success, the producer who still holds an equity in this surplus is likely to become discouraged and, rather than submit to the pooling arrangement, he will undoubtedly grow some other crop than wheat.

A. M. SAKOLSKI.

FOOD TRADE. The Merchants' Association of New York has recently issued the *Report of the Food Problem Committee*. This committee, appointed in April, 1917, set itself the task: (1) of finding out what previous investigations had been made and examining available data in order to acquaint itself with the various phases of the food problem; (2) of making a clear analysis of the problem; (3) of determining the means of bringing about a better understanding and the improvement of conditions. This was done for the purpose of presenting an exhaustive report to the officials of the Food Administration whose appointment was anticipated. The report includes a brief summary of each of the twelve statements prepared by previous New York commissions and committees. In the course of its work the committee interviewed some thirty associations of the food trade of the city and large numbers of individuals concerned, visiting producers

on their farms and distributors in the city. The report discusses the economic problems of the producer, the manufacturer, the carrier, the distributor, the consumer and the educational and regulatory agencies, and gives also a brief discussion of the increase in the cost of food supplies.

The committee recommends first that the city be most carefully charted *by districts* to show the nationality of consumers, housing conditions; and the location and kinds of wholesale stores, retail stores, storages, food factories, hotels and restaurants, and milk stations. A suggestive district chart is added to show how these facts might be presented. The second recommendation is that there be a central organization of consumers, the duties of which shall be to investigate prices and causes of shortage, and to establish a clearing house for information as to available supplies of food, prices, most economic purchases, variations in diet and the use of the family budget. Third, the committee recommends that joint committees representing the seven factors of the food problem be appointed to coördinate these elements, so that those interested in each phase may appreciate the importance of the others. Especially should these committees "arrange to bring food from the producers to the consumers in the most efficient and economic way."

Not the least striking feature of the report is a tabulation of the whole food problem. The chief divisions given are: (1) production, (2) manufacturing and preserving, (3) transportation, (4) marketing and distribution, and (5) consumption. Each division is carefully divided into sub-divisions. Some suggestions and criticisms might be made as to the logical arrangement and the subject-matter included in these divisions. Producers' marketing organizations might well be added to the list of sub-heads under marketing and distribution and it would seem as if financing the farmer were logically a part of production rather than of marketing. Another general division might be made to include various forms of storage.

LORIAN P. JEFFERSON.

The Bureau of Foreign and Domestic Commerce, of the United States Department of Commerce has issued the following:

Miscellaneous Series:

No. 63, *Trade of the United States with the World, 1916-1917*; Part 2, *Exports* (pp. 317).

No. 67, *The Export Lumber Trade of the United States*, by E. E. Pratt (pp. 117).

- No. 68, *Wearing Apparel in Argentina*, by L. B. Clark (pp. 158).  
No. 69, *Wearing Apparel in Bolivia*, by W. A. Montavon (pp. 84).  
No. 71, *Wearing Apparel in Brazil*, by W. C. Downs (pp. 64).  
No. 72, *Consumption Estimates*, reprinted from the *Statistical Abstract of the United States, 1917* (pp. 14).

Special Agents Series:

- No. 164, *Textile Market of Chile*, by W. A. Tucker (pp. 52).  
No. 167, *Electrical Goods in Bolivia and Chile*, by P. S. Smith (pp. 94).

Special Consular Reports:

- No. 81, *Abyssinia. Present Commercial Status of the Country with Special Reference to the Possibilities for American Trade*, by A. E. Southard (pp. 7).

Tariff Series:

- No. 39, *British Control of Imports and Exports with Lists of Prohibited Goods*, June, 1918 (pp. 32).

Bulletin 136 from the Bureau of the Census is *Stocks of Leaf Tobacco and the American Production, Import, Export, and Consumption of Tobacco and Tobacco Products, 1917* (Washington, pp. 44); and there is also a bulletin on *Cotton Production in the United States, Crop of 1917* (pp. 39).

The federal Bureau of Mines presents a technical history and account of *Gold Dredging in the United States*, prepared by Charles Janin (Washington, 1918, pp. 226).

The United States Shipping Board has prepared a pamphlet, *Shipping Facts* (pp. 16), which gives information as to the progress of its construction plan and the relative rate of ship construction in this and allied nations as compared with submarine losses, revised to September 1, 1918.

The Federal Trade Commission has made its report on *Canned Foods* (May 15, 1918, pp. 103) and a summary of its report on the *Meat-Packing Industry* (July 3, 1918, pp. 51).

There has recently appeared *Statement of Swift and Company* (Chicago, Aug. 17, 1918, pp. 29) giving a summary of the report of the federal commission on the meat packing industry.

The chairman of the Federal Trade Commission, in response to a Senate Resolution of June 10, 1918, transmits a letter on *Profiteering* (Sen. Doc. No. 248, 65 Cong., 2 Sess., pp. 20).

L. B. Zapoleon has prepared for the United States Department of

Agriculture a study on *Geographical Phases of Farm Prices: Corn* (Washington, Bull. No. 696, pp. 53).

A further contribution to price studies has been made by J. B. Warner, of the federal Department of Agriculture, in *A Study of Prices and Quality of Creamery Butter* (Bull. No. 682, July 15, 1918, pp. 24).

The Continental and Commercial National Bank of Chicago continues its annual summary of the *Crop Reports and General Business Conditions*, for 1918 (pp. 21). There are maps showing wheat and corn production for the year.

The National City Bank of New York reprints an address delivered before the Virginia Bankers Association by Stephen H. Voorhees on *The War and Its Effect on World Trade* (pp. 26). This subject is also treated by G. A. O'Reilly, of the Irving National Bank, in the June issue of a bulletin of that institution, *Trade and the War* (pp. 29).

The College of Agriculture of the University of Arizona has published *A Study of Marketing Conditions in the Salt River Valley, Arizona*, by J. H. Collins (Tucson, March, 1918, pp. 69).

Dun's International Review has prepared a *Directory of Government Organizations Concerned with the Building Trade* (290 Broadway, New York, pp. 16).

### Corporations

THE VALUATION OF THE TEXAS MIDLAND RAILROAD. Four years and a half after the passage of the Valuation act, the Interstate Commerce Commission published its first valuation report. This report covering the property of the Texas Midland Railroad, though not stating definitely the commission's rulings on all the elements of value enumerated in the act, is issued as an order "made as to basic facts in the final valuation." In this respect it serves as a precedent for all future valuations and will stand unless changed by judicial decisions.

The actual sum of value resulting from the "findings as to underlying facts" is yet to be fixed. The commission for this purpose is to hold further hearings. The representatives of the various state railroad commissions for some time have contended that the Valuation act did not authorize the finding and reporting of a single sum of values for any individual railroad property. This contention the commission denies in so far as the valuation is for purposes of regulation under

the Interstate Commerce act. The application of the final valuations, therefore, is to be limited to questions involving reasonable rates and practices. The extension of the use of the figures to other purposes, such as taxation, rentals, government operation or condemnation therefore requires further legislation.

The Texas Midland valuation report contains a thorough analysis of the methods and policies followed in obtaining the so-called three "cost-values"; viz., *Original cost to date*, *Cost of reproduction new*, and *Cost of reproduction less depreciation*. In the main, the commission adopted the theories already worked out by its valuation department. This means that the leading contentions of the railroads on the important unsettled valuation questions have been rejected. A final appeal to the federal courts (provided for in the Valuation act) is now required if the carriers decide to continue to contest the theories of the commission. Otherwise, the forthcoming valuations of all the railroads subject to the Act to Regulate Commerce will merely consist of applying the dollar mark to the property items in accordance with the commission's established "findings as to underlying facts."

As a basis for determining original cost to date the commission proposes to rely as far as practicable on available records of actual construction outlays. This involves the proper analysis of accounting data; a seriously complicated and difficult task for even so small and recently constructed a railroad as the Texas Midland. The commission's valuation department, after employing accountants during several years at heavy expense to the government, reported that original cost of road of the Texas Midland could not be found. Director of Valuation Prouty even went so far as to suggest that the section of the Valuation act requiring the ascertainment of original cost to date be repealed. However, the commission's report, holding that original cost to date "is a factor of prime importance," places the figure for the Texas Midland as \$2,892,360.94. This sum is "within close limits of accuracy the maximum amount of money which the carrier, its predecessor or any other person or persons *invested* in the property, as representing the *maximum* original cost to date thereof" (p. 9). Investment is thus accepted as a substitute for actual construction cost, though it was pointed out by a member of the commission itself at one of the valuation hearings that "cost" and "investment" are not identical. Each represents a different concept. Moreover, in accepting the figures of investment as representing *maximum* cost, the commission is led to construe the phrase "each piece of property owned

or used by a carrier" in the act as referring to the various sections of the railroad rather than to the individual property items; such as rails, ties, signals, and the like (p. 8).

In carrying out the provision of the Valuation act regarding the determination of cost of reproduction *new*, the basis finally adopted from among the many proposed by engineers, economists, accountants, and lawyers is that which assumes the non-existence of the railroad with all the other conditions in the same territory taken as existent on valuation date. Theoretically this is comparatively simple, and if accepted by the railroads and the representatives of the state public utility commissions will do much toward establishing a uniform basis for future valuation estimates. Several of the state commissions, however—notably the Minnesota Railroad and Warehouse Commission—opposed this theory of reproduction cost on the ground that it is contrary to the *Minnesota Rate Cases* decision of the Supreme Court. However, the commission clearly points out (on page 14 of the Texas Midland report), that notwithstanding the Minnesota Rate Decision specifically stated: "The assumption of its [the railroad's] non-existence, and, at the same time, that the values that rest upon it remain unchanged is impossible and cannot be entertained." The Supreme Court in a number of cases has accepted present prices of property as a basis of reproduction cost.

In assuming reproduction cost as based on present conditions, however, the commission limits the application of its theory. The present value of lands based on existing conditions is rejected. This is done on the ground that, in the language of the *Minnesota Rate Cases* decision, "cost of reproduction method is of service in ascertaining only the present value of the *plant*." The word *plant* is construed as excluding real property and therefore should not be applied to railroad rights of way, yards, and terminals.

Excluding lands from the theory of reproduction cost necessitates a separate basis of valuation for this important item of railroad property. Here, again, an interpretation of Justice Hughes's language in the *Minnesota Rate Cases* decision serves as a guide to the commission. After a detailed discussion of the whole problem (covering pages 52 to 65 of the report), the conclusion is reached that "the present cost of condemnation and damages, or of purchase of a carrier's lands (the ascertainment of which is required by the valuation act) cannot be estimated." The Texas Midland Railroad's lands, therefore, are merely given a *present* value, "determined from the present fair average value of similar adjacent and adjoining lands,



due allowance being made for any special values which may attach by reason of the peculiar adaptability of the land to railroad use."

In solving the problem of "reproduction cost less depreciation," the commission confirms the policies already adopted and applied by the engineering board of its valuation department. Thus, the ties in the tracks of the Texas Midland are valued at 50 per cent of replacement cost. Rails, bridges, trestles, signals, and other perishable structures are similarly depreciated on the theory that each individual item of property has a limited "service life," and that the period of that service life already past in relation to the estimated total period entails a proportionate lessening of worth of the item, due consideration having been given to salvage values. In other words, it is assumed that each item in a railroad structure contains when new a certain number of "units of capacity for service." Depreciation covers the decrease in the number of the units as compared with those existing in the same elements when the property is installed. This theory of depreciation of railroad property has been strenuously contested by railroad representatives on the ground that estimates of worth should not apply to individual items but should relate to the property as a whole. As long as a structure is well maintained through constant repairs and renewals of parts no limit can be placed on the service life. Consequently, there is no depreciation.

Many of the minor valuation problems over which the opposing parties at interest have wrangled during the last half decade receive their first formal solutions by the Interstate Commerce Commission in the Texas Midland valuation report. In most instances, the policies already tentatively formulated and adopted by the valuation department of the commission, which has been steadily at work during the last four years, have been upheld. Accordingly such "other elements of value" as contingencies, going concern, franchises, deficits in operation, and the like have not been allowed in the Texas Midland valuation. All these matters undoubtedly will be brought to the federal courts for final adjudication. The Valuation act specifically provides that the United States circuit courts hear contested cases of valuation. Unless the present war conditions, with government railroad administration, interferes with the policies and rights of the railroad owners, an extended period of litigation is very probable.

A. M. SAKOLSKI.

The Director General of Railroads, William G. McAdoo, under date of September 3, 1918, made a *Report to the President* on the

work of the United States Railroad Administration for the first seven months of its existence, ending July 31, 1918 (Washington, pp. 32).

The Street Railway Investigation Commission of the Commonwealth of Massachusetts has made an exhaustive *Report on the Problems Relating to the Street Railways* in that state (Boston, 1918, Pub. Doc. No. 300, pp. 423). This contains sections on depreciation in the purchasing power of the nickel, growth of the automobile business, taxation and highway maintenance requirements, failure to provide for depreciation and obsolescence, and recommendations. In the appendix some 20 pages treat of municipal ownership of street railways in the United States and in Canada and a chapter of 25 pages summarizes street railway conditions in foreign countries.

The *Report on a Rapid Transit System for the City of Detroit Made to the Board of Street Railway Commissioners* by Barclay, Parsons & Klapp (60 Wall St., New York, 1918, pp. 123) contains a large number of interesting tables and diagrams showing the density of population and the outward residential movement, traffic growth, residential distribution of population, and method of financing.

The *Opinion and Order* in the matter of the application of the Baltimore County Water and Electric Company for permission to change and readjust its schedule of quarterly minimum charges or rates on metered water supply service, Case No. 375, presented to the Public Service Commission of Maryland, has been published by that commission (Order No. 4425, July 25, 1918, pp. 78); and *Opinion and Order* in the matter of the complaint of the Public Service Commission of Maryland against the Consolidated Gas, Electric Light and Power Company of Baltimore, in respect to the fairness and reasonableness of certain industrial power rates (Order No. 1492, Aug. 9, 1918, pp. 59).

There has also been issued as a separate the report of the commission's expert upon the *Incidence of Rates of the Baltimore County Water and Electric Company* relating to the case above mentioned (N. S. Hill, Jr. and S. F. Ferguson, Consulting Engineers, 100 William St., New York, pp. 42).

The *Second Annual Report of the Commission on Waterways and Public Lands* of Massachusetts, for 1917 (Boston, Pub. Doc. No. 118, 1918, pp. 132) contains a brief memorandum on the necessity for creating coal reserves at tidewater terminals.

The Board of Gas and Electric Light Commissioners of Massachusetts has printed in pamphlet form *New Legislation of Especial*

*Interest to Gas, Electric and Water Companies and Municipalities Owning Lighting Plants*, 1918 (Boston, pp. 24).

Public utility reports received are:

*Eleventh Annual Report of the Public Service Commission, Second District, New York*, vol. 2, which contains abstracts of reports of corporations (Albany, 1918, pp. 800).

*Eighth Annual Report of the Board of Public Utility Commissioners of New Jersey for the year, 1917* (Trenton, 1918, pp. 248).

*Financial and Miscellaneous Statistics* compiled from the annual reports made by public utilities to the Board of Public Utility Commissioners of New Jersey for the year 1916 (Trenton, 1918, pp. 234).

*Brief against the Application of the Public Service Railway Company for an increase of rates*, prepared by Marshall Van Winkle and George L. Record, of counsel for the New Jersey State League of Municipalities and the Municipalities Members of that League (pp. 218).

#### Labor

The following bulletins have been received from the federal Bureau of Labor Statistics:

No. 231, *Mortality from Respiratory Diseases in Dusty Trades (Inorganic Dusts)*, by Frederick L. Hoffman (Washington, June, 1918, pp. 458).

No. 236, *Effect of the Air Hammer on the Hands of Stonecutters* (July, 1918, pp. 147).

No. 238, *Wages and Hours of Labor in Woolen and Worsted Goods Manufacturing, 1916* (June, 1918, pp. 154).

No. 239, *Wages and Hours of Labor in Cotton Goods Manufacturing and Finishing, 1916* (April, 1918, pp. 258).

There has been published *Hearings before the Subcommittee of the Committee on the District of Columbia*, H. R. 10367, providing for the establishment of a minimum wage scale in the District of Columbia for women and children (Washington, April 16, 1918, pp. 44).

The Bureau of Industrial Code (230 Fifth Ave., New York) of the State Industrial Commission of the New York Department of Labor has issued bulletins on the following subjects: No. 15, Rule relating to smoking in protected portions of factories and special classes of occupancies; No. 16, Rules relating to mines and quarries; No. 18, Rule relating to lighting of factories and mercantile establishments; No. 19, Rules for the guarding of dangerous machinery, vats, pans

and elevated runways; No. 20, Rule relating to automatic sprinkler systems; and No. 21, Rule relating to window cleaning.

A special bulletin of the Department of Labor of New York State gives the *New York Labor Laws Enacted in 1918* (Albany, pp. 71).

The *Fifth Annual Report of the Minimum Wage Commission of Massachusetts* for 1917 (Boston, Pub. Doc. No. 102, pp. 51) has a paragraph on the minimum wage regulation in foreign countries, 1914-1917, and also a page on the minimum wage legislation in the United States in 1917. An account is given of the work of the wage boards recently organized in the clothing and furnishing trades. Report is made on the enforcement of past minimum wage determinations.

This commission has also published a pamphlet on *Wages of Women Employed as Office and Other Building Cleaners in Massachusetts* (Boston, May, 1918, pp. 36); and a statement and decree concerning the wages of women in retail millinery workrooms in Massachusetts (pp. 6); also a statement and decree concerning the wages of women in muslin underwear, petticoat, etc., and children's clothing factories in Massachusetts (pp. 6).

### Money, Credit, and Banking

DEPRECIATION OF CURRENCY IN GERMANY. The following is a translation of an article by Professor Lujo Brentano which appeared in the *Berliner Tageblatt*, August 2, 1918, "Ueber die Geldentwertung, ihre Ursachen und Abhilfe."

Wise words were recently spoken by the Minister of Finance of Wurtemberg in his speech upon depreciation. He thought that the depreciation of money would be neither an advantage nor a disadvantage if it caused a more general and uniform increase of prices. That is a truth often emphasized, in the days when people believed that wealth consisted in money, by the opponents of the mercantile system, which tried to create a favorable balance of trade because it brought money into the country. These opponents objected that the increase of money raised prices. Even allowing that people received twice as much for their merchandise as before, they were obliged to pay twice as much for what they bought; and, as the rise in prices was universal and uniform, people were neither better nor worse off than before. But prices never do rise universally nor uniformly. The increased prices of indispensable commodities cause a majority of the people to limit their purchases of dispensable commodities.

The producers of the latter encounter a decreased demand. This prevents their raising prices to correspond to the depreciation of money and the result is that, while some profit by depreciation, others suffer. The heaviest hardship is inflicted upon those who receive fixed incomes.

The increase in prices that occurred before the war on account of our alleged protective policy had already impressed this truth upon the classes receiving fixed incomes and upon many producers of dispensable goods. What we experienced on a small scale at that time, the German nation is now experiencing on a vast scale; and what the adherents of the new science of economics advanced against old mercantilists, is the very argument that the Wurtemberg Minister of Finance is now repeating. The only difference is that the old pioneers of scientific economics had a lighter task in one respect. The money, the abundance of which caused the depreciation which they discussed, consisted of the precious metals. It flowed, like all other physical commodities, to the market where it had the highest value, and soon left for other countries to pay for wares which those countries sent to the market where prices had risen most. Our money, however, consists in printed tokens. No one will accept it abroad unless it be the inhabitants of the occupied territories; and the circulation in those districts, instead of lessening the volume of paper in circulation, is one of the causes for its increase and consequently for its further depreciation. For, as the Wurtemberg Finance Minister justly says, our present depreciation is due primarily to the imperial government, which pays out tokens for its purchases. The more the empire pays out, the more tokens in circulation. The depreciation started with the imperial government and first expressed itself in the prices of the most urgently needed commodities, those required for warfare, and extended itself, through the increased purchasing power of all who sell to the empire, to other classes of commodities. The producers of these commodities are benefited. But an injury is inflicted upon another large group because a great majority of the people must pay more for indispensable goods and the demand for dispensable goods declines. The producers of these latter cannot raise prices to correspond to the depreciation that has occurred in the value of money. Many of them must cease producing the articles they previously made and go into other lines of business. But there is no remedy for the hardship inflicted upon people of fixed incomes. Finally, the increase of prices caused by the depreciation of money is reinforced by the increase caused by scarcity of goods arising from lack of raw materials and labor.

However, the imperial government is not exculpated for its responsibility by referring this result to natural economic laws; since, in order to pay its obligations, it has caused paper tokens to be printed in such abundance that the legal currency in circulation has risen since the 22d of July, 1914, from about 2,250,000,000 to 19,250,000,000 marks.

Above all, the officials who have bought goods from war contractors for the imperial government—as we know from the Daimler scandal and other instances—have in many cases agreed to the prices demanded by these contractors uncritically; so that the latter merely had to make a demand to have it granted. The conduct of the war contractors proper has found imitators among other sellers, especially food producers. Prices have risen extraordinarily. Thereupon out of consideration for the fact that the masses of the population could not pay these prices, maximum prices have been fixed in order to prevent popular unrest. But what did Byron sing back in the Age of Bronze?

Their patriotism, delicately nice,

Falls in proportion with the market price.

Food producers declared that maximum prices lessened production and their produce disappeared from the market. Maximum prices became minimum prices and had constantly to be increased. But the patriots continued to be dissatisfied. They evaded even the increased maximum prices by selling at still dearer rates privately. Consequently, in order to get anything, those who had means paid still higher prices. Eventually the municipal governments began to complain that this underhand trade forced their citizens to pay exorbitant prices. This resulted in the imposition of penalties for illegal trade. But the experience is centuries old that penalties accomplish nothing against profiteering and usury. Quite the reverse. Traders raised their prices to cover the risk. Thereupon, in order to lessen the temptation to violate the law, the maximum prices were raised still further.

But every increase in prices made more money necessary in order to pay them. Paper circulation increased and every increase in the circulation again reacted to raise prices. We thus started an endless screw revolving and we cannot foresee any end to the process unless we resolutely reverse the screw's direction.

This can be brought about successfully only by removing the two causes of exorbitant prices: the scarcity of commodities and the superfluity of legal tender. The scarcity of commodities, so far as it is due to lessened production on account of lack of raw materials and labor, cannot be remedied until peace comes. The situation is differ-



ent, however, in respect to refusal to deliver unless at exorbitant prices. But we must acknowledge that even here we encounter invisible obstacles with respect to which every one is silent but every one is complacent. In Germany we are familiar with the word "compulsion" in every field except this one. The other means of remedying the situation would be to reduce the volume of legal tender. The German Imperial Bank has recently attacked this problem by encouraging the settlement of accounts without actual payment in money—that is by substituting payments by check for payments in cash. This is excellent. The German people are by no means unfamiliar with this method of settling accounts. But, although the settlements thus made have increased during the war, so that the checks of private individuals passing through the Imperial Bank have risen from 303 billion marks in 1914 to 788 billion marks in 1917 and corresponding increases have occurred in case of other institutions receiving check deposits, these are only a small fraction of the account settlements for the whole German empire. Great efforts are being made to familiarize all classes of people with this method of paying bills. All that is excellent. The measures taken are appropriate—the campaign of education among the people, the definite instruction as to the use of checks, the addresses at meetings and assemblies, the pamphlets, placards, advertisements distributed and posted, the exhortations of bankers, clergymen, and teachers. Nevertheless, although what a man does from inner conviction is much more valuable than what he does from external compulsion, I fear it will take four years more of warfare to bring about much progress in this line. Meantime the situation is an acute one. Our present embarrassment must not become chronic. I would not like to write what may happen in that case. But why cannot Germany adopt a measure that no other country could adopt, but that we can carry out with assured success? There is no other country where the people are so obedient to the government as our own. We have not always made commendable use of this disposition to obedience; but why not utilize it now where it can bring about instantaneous relief? Why not demand that the hundreds of thousands of persons employed in the public service establish deposits, either at the postoffice or at some bank of deposit, by paying their salaries in deposit slips rather than in currency? Why not go further and follow the example of the city government of Munich so that the empire, the federal states, and the municipalities, will do no business with contractors except through bank accounts? Such a measure would do a great deal to establish the settlement of accounts without the actual

transfer of money; for the most important transactions would be included within these categories and legal tender would be employed only for minor purchases. This would practically do the business.

We must go still further in the way of simplification. Several years ago the taxation system of Bavaria was reorganized. At that time I suggested to the Financial Minister, in the course of a promenade, how it would simplify administration, and economize in the matter of idle money, if the Royal Bank at Nuremberg, with its network of branches all over Bavaria, were coupled up with the tax-offices and the post-offices. This would create branch offices of the bank in every little village and greatly lessen the amount of idle money. The tax-office would merely assess the taxes and charge them to the appropriate branch of the bank which would deduct it from the account of every taxpayer in its district. The money would then be transferred from the local account to the account of the government. The Minister pondered a moment and then replied, "Yes, we could manage it that way." But since any simplification in the machinery of government renders unnecessary the services of some employees, and since our economic system is dominated by the idea that the consumer exists for the sake of the producer—and consequently many regard that the citizens exist for the sake of the officials—so radical a measure could not be got through parliament.

But even though it may be impossible to put through such a radical reform in the administrative organization the mere paying of government salaries in checks or bank deposit slips and the refusal of the government to do business except with bank depositors, would immediately reduce our metallic and paper tender and would erect an effective barricade against the increasingly threatening calamity of ruinous depreciation.

Three weeks later, under date of August 24, there appeared in the same journal a further contribution on this subject, entitled "Ein Schulfall für die Geldentwertungstheorien" (Classroom Example of Currency Depreciation Theories), by Dr. August Behrens.

German sugar purchases in Ukraine have renewed our interest in exchange problems and their connection with currency depreciation. The depreciation of money in Ukraine has reduced the purchasing power of the ruble to one sixth or less. But, at the same time, the ruble exchanges with us at a figure corresponding to a depreciation of less than one half its purchasing price. Consequently, we are able to buy goods in the Ukraine only at prices that are beyond all reason

and consequently we must limit our purchases to what is absolutely necessary until a more rational condition is established. The position that we and certain other nations find ourselves in with respect to the Ukraine is, in a sense, an economic curiosity. Ordinarily when the money of a country depreciates the exchange falls abroad. In the first place no foreigner has a motive to purchase exchange on that country because he does not get value received. On the other hand, as soon as the exchange rises abroad beyond the domestic rates, a flow of money starts to the better market which quickly brings down the foreign rate to the domestic standard. Quite apart from this peculiar circumstance, however, the depreciation in the Ukraine presents other typical peculiarities which make it a splendid class-room example for many theories, and offers, so to speak, a laboratory experiment in such theories. In the first place, the principle is confirmed that money depreciation begins as soon as the purchasing power expressed in money or in substitutes for money or in credit becomes out of proportion to the existing economic values—i.e., to merchandise including raw materials, to human labor, and to productive investments. The way this relation has demonstrated itself in the Ukraine is clear to any one who takes a casual glance at the newspapers. War and civil war have discouraged productive investments and stripped the country of raw materials and merchandise. Even human labor power is wanted; for the hands that are there are unemployed under the existing uncertain conditions, because they fear that the reward for their labor will be taken from them. There is, to be sure, some agricultural produce, but it falls far short of balancing the means of payment available. . . .

A second monetary principle recently propounded by Professor Brentano, to the effect that, as large circulation of paper money causes depreciation, so the substitution of payments without the employment of money tends to reduce it, is only confirmed in a qualified manner by the situation in the Ukraine. The country has been flooded with paper money by friends and foes alike and, since every one has all he wants but has not the physical property he wants, the man who has merchandise can demand as many bills as he desires. If there were fewer bills and instead of them more bank deposits, it is certain that less money would be circulated. But this would be because the Ukrainian peasant would never think of selling a goose or any other property for a check, no matter how secure the bank on which it was drawn. The situation would be quite different in a country where the people occupied a higher plane of business intelligence. In that case it would

hardly be important whether the purchasing power were in metallic currency or bank notes or checks. A war profiteer doesn't care whether he pays his 10,000 marks for a diamond ring or a Westphalian ham in checks or bills. Consequently, Brentano's theory holds good only for countries like the Ukraine, where people are free with the money in their pockets but can not so easily draw on their bank accounts.

It is difficult to see whether the theory of the endless screw, which is likewise championed by Professor Brentano, is supported by Ukrainian experience, though it probably is. According to his theory the original disproportion between supply of economic values and instrumentalities of payment, which is the cause of inflation, is accentuated by the fact that the government authorized very high prices at the beginning of the war, that producers increased their prices to agree with those of government contractors, that the working people followed suit, and that little by little the whole population became involved in the upward price movement, that this caused public contractors to demand still further increases of prices from the government on the ground of the general rises, and so on, round the circle interminably. One would suppose that the process would be stopped after the first circle was completed by the government's refusal to increase prices on the ground that the government's prices were the original cause of the general rises. In practice, however, this does not happen for two reasons. The first is that the government wants to get goods quickly and is therefore willing to make concessions. The second reason is that a man who raises prices, because the man immediately before him in the chain of production or trade has raised prices, adds something additional to the increase imposed by his predecessors, so that by the time the circle is completed an actual increase in prices above that originally created by the government contractors has occurred. The theory of the endless screw has certainly some arguments in its favor and is confirmed to some extent in the Ukraine. However, we cannot follow Brentano so far as to affirm that the government's using its "printed paper tokens" to favor these high prices, is the original cause of the trouble.

Coming now to the influence of currency depreciation abroad, we have already said that conditions in the Ukraine have taken an unusual course and consequently it is better first to consider what normally occurs. Every depreciation of currency should be followed by a decline in the value of that currency abroad except when the country where the depreciation occurs has such a large gold reserve that it can pay its bills in gold on demand and is willing to permit that gold

to be exported. If that is possible these notes will be purchased abroad at par because the purchaser can get gold to the full value of the note, or considerably more than if he bought goods with the note and converted them into gold. Naturally this is an assumed instance, for no such case would actually occur and, if it did occur, it could not continue for an appreciable period. . . . How does it happen then that in spite of the depreciation of currency in the Ukraine, exchange upon that country can be bought at only a relatively high rate? We might think of the possibility that, since the ruble is current not only in Ukraine but over a large part of the former Russian empire, the depreciation might not be as great in other territories as in the Ukraine, and this condition would counteract the influence of the latter country. This explanation does not hold good in the present instance. In the first place, the depreciation is as great in other parts of Russia as in Ukraine and, were this not so, the ruble would leave Ukraine for those other districts. The reason for the high exchange rate of the ruble is due to another cause—a cause independent of ordinary financial motives but dependent upon the breakdown of international trade through the war. The ruble has depreciated elsewhere as well as with us, but in order to get rubles we have to pay high prices on account of certain war conditions and these prices reflect themselves in exchange rates. Russia forbids the exportation of rubles and this artificially lessens the supply abroad. In the second place the transportation of money in Russia has become such a dangerous undertaking during the existing disorders that most of our rubles reach us by indirect routes through neutral countries. These conditions increase the cost of procuring them and make them a relatively dear medium of payment by the time we receive them.

Translator's note.—Does it not appear that the Central Powers have been unable, either through lack of commodities to exchange or through inability to establish credits in the Ukraine by other measures, to create a favorable balance of trade with that country?

THE EQUATION OF EXCHANGE FOR 1917, as calculated by the usual method is:

Circ. of money (61) + Circ. of checks (951) = Value of goods bought (1012)

$$\begin{array}{rcl} \text{Money} \times \text{its velocity} & + & \text{Deposits} \times \text{their veloc.} = \text{Trade} \times \text{scale of prices} \\ \frac{M}{2.02} \times \frac{V}{30} & + & \frac{M'}{10.30} \times \frac{V'}{92.4} = \frac{T}{595} \times \frac{P}{170 \text{ per cent.}} \end{array}$$

That is, the money in actual circulation (*i.e.*, outside of banks and the United States Treasury) was 2.02 billions of dollars and changed

hands about 30 times in the year, thus effecting  $2.02 \times 30$  or 61 billions of exchanges; the volume of deposits subject to check was  $10.30$  billions and changed hands about 92.4 times in the year, thus effecting  $10.30 \times 92.4$  or 951 billions of exchanges, the two together making a total of  $61 + 951$  or 1012 billions. This paid for a volume of trade of 595 billion units (a "unit" of trade being that amount of goods which in the base year, 1909, was worth \$1), at prices 70 per cent higher than the prices of said base year, so that  $595 \times 170$  per cent is also 1012.

Compared with 1916, the only important changes were in the velocities of circulation and the price level. The volume of trade remained about the same (that in commodities increasing and that in stocks decreasing). There was the same contrast in the price movements of these two items, the rise of commodity prices being much more important than the fall of stock prices.

For the first six months of 1918 similar discords are found. Commodity transactions apparently fell off while stock sales increased and commodity prices rose while stock prices fell.

With such cross currents as have been manifest in 1917 and 1918, the estimates of the net movements are necessarily much less exact than usually.

I defer publishing the usual diagram until the figures for 1918 are available.

IRVING FISHER.

*Hearings* before the Committee on Banking and Currency, United States Senate, Sixty-fifth Congress, Second Session, on Senate Bill 3928, relating to a federal reserve foreign bank to stabilize the dollar exchange in neutral countries, have been printed. These hearings were held in June, 1918 (Washington, pp. 367).

A brief statement on *Banks Incorporated under State Laws as Members of the Federal Reserve System* has been made by Russell B. Spear, assistant federal reserve agent of the Federal Reserve Bank of Boston (1918, pp. 245).

There has been received from T. A. Polleys, tax commissioner, a statement to the tax commission of South Dakota on behalf of the Chicago and Northwestern Railway Company on July 22, 1918 (Pierre).

Bank reports received are: *Annual Report of the State Bank Commissioner of Colorado, 1917* (Denver, 1918, pp. 245); and *Report of the Bank Commissioner of Connecticut, 1917*, (Hartford, pp. 620).



## Public Finance

The hearings before the Committee on Ways and Means of the House of Representatives with reference to *The New Revenue Bill* have been issued in 29 parts (Washington, June 7-Aug. 15, 1918, pp. 2,115).

The United States Tariff Commission has prepared the following pamphlets in the Tariff Information Series:

No. 2, *The Dyestuff Situation in the Textile Industries* (Washington, 1918, pp. 28).

No. 3, *Silk and Manufactures of Silk. Schedule L.* (pp. 163).

No. 4, *The Button Industry: Tariff Legislation—Commercial and Industrial Conditions in the United States and in Foreign Countries—Court and Treasury Decisions—Statement from Associations and Leading Manufacturers* (pp. 125).

No. 5, *The Glass Industry as Affected by the War* (pp. 147).

The pending *Revenue Bill and Report* of the House of Representatives submitted September 3, 1918, has been printed as Document No. 1267, 65th Congress, 2d Session.

The Legislative Reference Division of the Library of Congress has prepared for the use of the Committee on Ways and Means *Comparison of Rates of Tax in United States, Great Britain, Canada and France*: I. Articles of ordinary consumption; II. Articles of pleasure, recreation, and adornment; III. Entertainments and clubs (pp. 24).

The federal Bureau of the Census has made a report on *Specified Sources of Municipal Revenue*, including special assessments, business taxes other than on the liquor traffic, general license taxes, and license taxes on dogs, in cities having a population of over 30,000 (Washington, 1918, pp. 140).

Relating to the liberty loan are the following three pamphlets: Hearings before the Committee on Ways and Means of the House of Representatives on the *Fourth Liberty Bond Bill* (June 27, 1918, pp. 48); *Supplementary Bond Legislation* (Rept. No. 778, 65 Cong., 2 Sess., pp. 5); and *Report of the National Woman's Liberty Loan Committee for the Third Liberty Loan Campaign* (Washington, Treasury Dept., 1918, pp. 32).

Advance sheets have been received of the preliminary report of the committee appointed by the National Tax Association to prepare a

plan of a model system of state and local taxation, submitted to the Twelfth Annual Conference held in November, 1918 (pp. 45).

A reprint has been made of a paper read by Harvey S. Chase before the Dominion Association of Chartered Accountants at Montreal, September 19, 1918, on *Governmental Sinking Funds, Serial Bonds and Depreciation Reserves* (pp. 18).

*The Operation of the Massachusetts Income Tax for the First Year, 1917* is reprinted from the Tax Commissioner's Report under date of April 7, 1918 (pp. 33).

There has been received from T. A. Polleys, tax commissioner, a statement to the tax commission of South Dakota on behalf of the Chicago and Northwestern Railway Company on July 22, 1918 (Pierre).

The Guaranty Trust Company of New York has made a reprint of the *Federal Capital Stock Tax* imposed under the revenue act of September 8, 1916, and Treasury Department Regulations No. 38.

### Insurance

From the New York State Federation of Labor have been received:

*The State Fund vs. Casualty Insurance Companies*, containing argument before the Senate Judiciary Committee in favor of eliminating companies organized for profit from doing business under the provisions of the workmen's compensation law, by F. Spencer Baldwin, manager of the New York State Insurance Fund, and Thomas J. Duffy, chairman of the Ohio State Industrial Commission (Albany, E. A. Bates, secretary, Arkay Bldg., pp. 15).

*Health Insurance*, official endorsement of the New York State Federation of Labor, with first report of its committee on health (pp. 16).

Third report of the committee on health, entitled *Health Insurance, Advantages to Industry* (pp. 15).

The Industrial Commission of New York has compiled *Workmen's Compensation Law* with amendments, additions, and annotations to July 1, 1918 (Albany, pp. 88).

*Court Decisions on Workmen's Compensation Law, August, 1916-May, 1918: Part I, Constitutionality and Coverage* has been issued by the Department of Labor of New York (Albany, June, 1918, No. 87, pp. 394).

The American Association for Labor Legislation (131 East 23d St., New York) has published a revised edition of *Standards for Workmen's Compensation Laws* (Oct., 1918, pp. 12).

## PERIODICALS

The REVIEW is indebted to Robert F. Foerster for abstracts of articles in Italian periodicals, and to R. S. Saby for abstracts of articles in Danish and Swedish periodicals.

### Theory

(Abstracts by Arthur N. Young)

- CAMP, W. R. *The limitations of the Ricardian theory of rent*. I. Pol. Sci. Quart., Sept., 1918. Pp. 22. The first instalment of this study has particular reference to the relation of this theory to the economic conditions of the first part of the nineteenth century.
- DAVENPORT, H. J. *The distributive relations of indirect goods*. Quart. Journ. Econ., Aug., 1918. Pp. 23. A study of the relation between prices of finished goods and costs of production in periods of changing price levels. Largely a criticism of the views of Mitchell.
- FOREMAN, C. J. *Legal theories of profit*. Columbia Law Rev., June, 1918. Pp. 13. Legal interpretations of the prevailing economic theory.
- MIXTER, C. W. *Diminishing returns in manufactures*. Am. Econ. Rev., Dec., 1918. Pp. 11.
- PARETO, V. *Economia sperimentale*. Giorn. d. Econ., July, 1918. Pp. 18. An attempt to discover how far economic doctrines are inductions from experience.
- PISTOLESE, S. *I cambi esteri e la politica dei cambi nel pensiero di un nostro economista*. Riv. di Sci. Banc., Jan. 31, 1918. Pp. 8. A study of the contributions of Arias to the theory of foreign exchange.

### Economic History, United States

(Abstracts by E. L. Bogart)

- ANDREWS, C. M. *Current lawful money of New England*. Am. Hist. Rev., Oct., 1918. Pp. 5. Explanation of term as used in the eighteenth century.
- BRADLEE, F. B. C. *The Boston and Lowell railroad, the Nashua and Lowell railroad, and the Salem and Lowell railroad*. Hist. Coll. of Essex Inst., July, 1918. Pp. 32. Detailed account of three early Massachusetts railroads, 1830-1850.
- CAIN, G. *Indian land titles in Minnesota*. Minn. Law Rev., Feb., 1918. Summarizes the White Earth land cases which were recently important in the history of the Ojibway Indians.
- CAMPBELL, J. *San Domingo refugees in Philadelphia*. Rec. of Am. Cath. Hist. Soc., Sept., 1918. Pp. 18. Letters of a refugee in Philadelphia, describing economic struggles, especially the silk worm craze of the thirties.
- DAY, S. A. *A celebrated Illinois case that made history*. Journ. Ill. State Hist. Soc., July, 1917. Pp. 17. An account of the Pullman strike in Chicago in 1894.

- GLASSON, W. H. *The South's pension and relief provisions for the soldiers of the Confederacy.* Proc. 18th An. Sess. State Lit. and Hist. Assoc. of N. C.
- GIST, W. W. *The ages of the soldiers in the Civil War.* Iowa Journ. Hist. & Pol., July, 1918. Pp. 13. Concludes that the soldiers were not as young as has often been stated.
- HITCHCOCK, C. N. *The War Industries Board: its development, organization, and functions.* Journ. Pol. Econ., June, 1918. Pp. 22. A well informed account of the organization and activities of this board.
- KEIR, M. *Some influences of the sea upon the industries of New England.* Geog. Rev., May, 1918. Pp. 6.
- LANDIS, C. I. *History of the Philadelphia and Lancaster turnpike.* Pa. Mag. of Hist. & Biog., Jan., 1918. Pp. 28. Built in 1741 and described as the "first long turnpike in the United States."
- MORRISON, A. J. *The historical farmer in America.* S. Atlantic Quart., July, 1918. Pp. 9. The American farmer did not appear in literature until after the Revolution.
- NOTZ, W. *The world's coal situation during the war.* II. Journ. Pol. Econ., July, 1918. Pp. 31. The United States: government control, transportation, distribution, prices, labor.
- PARKINS, A. E. *A comparison of transportation on the Mississippi Basin rivers and the Great Lakes.* Journ. Geog., Feb., 1918. Deals mainly with present-day conditions but contains some historical material.
- PHILLIPS, P. L. *Some old time city directories.* D. A. R. Mag., Oct., 1918. Pp. 12. Description and facsimile of directories published between 1785 and 1822.
- POSEY, C. J. *The influence of geographic factors in the development of Minnesota.* Minn. Hist. Bull., Aug., 1918. Pp. 11. The effects on industry, transportation, and social development.
- ROTH, L. V. *The growth of American cities.* Geog. Rev., May, 1918. Pp. 15. Covers period 1790 to 1917.
- SCHMIDT, L. B. *The influence of wheat and cotton on Anglo-American relations during the Civil War.* Iowa Journ. Hist. & Pol., July, 1918. Pp. 40. Dependence of England upon the South for cotton was offset by dependence upon the North for wheat.
- SHIPPEE, L. B. *Social and economic effects of the Civil War with special reference to Minnesota.* Minn. Hist. Bull., May, 1918. Pp. 24. An account of the readjustments in manufactures, agriculture, lumbering, railroads, and politics.
- STEVENS, W. E. *Fur trading companies in the Northwest, 1760-1816.* Miss. Valley Hist. Rev., Oct., 1918. Pp. 10. An account of the origin and development of the companies rather than of their trade.
- TREXLER, H. A. *Missouri-Montana highways.* Mo. Hist. Rev., Apr., 1918. Deals with the overland route.

- WESTERGAARD, W. *Thomas R. Bard and the beginnings of the oil industry in southern California*. Am. Publ. Hist. Soc. of S. Calif., vol. X, pt. 3. Account of a pioneer.
- WHITBECK, R. H. *The influence of geographical environment upon religious beliefs*. Geog. Rev., Apr., 1918. Pp. 9. Deals with early stages of development.
- WHITE, M. J. *Populism in Louisiana during the nineties*. Miss. Valley Hist. Rev., June, 1918. Pp. 19. A well documented account of populism in Louisiana, 1890-1900. Confined largely to politics.

## Economic History, Foreign

(Abstracts by Clive Day)

- AMDRAVANESWAR, S. *The needs of industrial India*. Wealth of India, Apr., 1918. Pp. 6.
- FESTY, O. *Siemondi et la condition des ouvriers français de son temps*. Rev. d'Econ. Pol., Mar.-Apr., 1918. Pp. 13. Conclusion of the study which was noticed on page 681.
- HARING, C. P. *The early Spanish colonial exchequer*. Am. Hist. Rev., July, 1918. Pp. 18. Description of taxes employed and method of administration.
- MANN, H. H. *The early history of the tea industry in northeast India*. Bengal Econ. Journ., Apr., 1918. Pp. 18. Conclusion, covering the period of 1856.
- MOTTE, E. *Trois ans et demi en pays envahi*. Monde Econ., June, 1918. Pp. 6.
- NAIR, C. G. *The industrial decline in India*. Wealth of India, Mar., 1918. Pp. 4. A review of Professor Balakrishna's book protesting against the policy of imperial preference.
- NORZ, W. *The world's coal situation during the war. I*. Journ. Pol. Econ., June, 1918. Pp. 44. A general survey of the coal industry of the world, and a study in particular of the situation in Europe, Australia, Canada, Latin America.
- DE NOUVION, G. *La situation économique et financière du Japon du 1917*. Journ. des Econ., June, 1918. Pp. 4.
- PRATO, G. *Le fonti storiche della legislazione economica di guerra*. Rif. Soc., May-June, 1918. Pp. 19. The historical origins of economic legislation in war time here studied are almost entirely Italian.
- RAYNAUD, B. *Le régionalisme économique*. Rev. d'Econ. Pol., Mar.-Apr., 1918. Pp. 20. A study of the regrouping of the productive forces and of the administrative machinery of France in the direction of decentralization.
- RICHARDS, H. G. *Germany and Spain*. Finan. Rev. Rev., June, 1918. Pp. 15. Description of German interests and methods in Spain by a British consul in Mexico.
- USHER, A. P. *Interpretations of recent economic progress in Germany*. Am. Hist. Rev., July, 1918. Pp. 19. Review and criticism of views of Sombart, Veblen, and Naumann, and presentation of the author's own view.

*The latest formulation of British commercial and industrial policy after the war.* Econ. Wld., June 15, 1918. Pp. 4. A summary by the United States Department of Commerce of the final report of the special committee of Parliament on commercial and industrial policy after the war.

*La situation économique de la France pendant la guerre (années 1915 et 1916).* Rev. Sci. Legis. Finan., Apr.-June, 1918. Pp. 26. Statistics and extracts from parliamentary debates.

### Agricultural Economics

(Abstracts by A. J. Dadisman)

ADAMS, R. L., and KELLY, T. R. *A study of farm labor in California.* Cal. Sta. Cir. 193 (1918), Mar., 1918. Pp. 75. A very comprehensive study of the farm labor situation in California with results of considerable investigation of wages, living conditions, supervision, and losses from lack of labor.

CONNOR, L. G. *Farm management and farm profits on irrigated land in the Provo area (Utah Lake Valley).* U. S. Dept. Agr. Bull. 582, January, 1918. Pp. 40. A study of types and practice with suggested modifications, based on survey records.

DAGGER, G. N. and FALCONER, J. I. *The organization of the farm business for profit.* Agr. Ext. Bull., Ohio State Univ., No. 3 (1917-18). Pp. 29. A popular bulletin discussing several factors essential to successful farm organization. Illustrations, charts, and tables.

GEPHART, W. F. *Perishable produce under food regulation.* Quart. Journ. Econ., Aug., 1918. Pp. 14. A discussion of problems in handling perishable products and results of the food administration in dealing with the problems.

HAMILTON, W. H. *The requisites of a national food policy.* Journ. Pol. Econ., June, 1918. Pp. 26. A careful analysis of the world's food problems with a suggestive solution for some of the problems.

MADSEN-MYGDAL, T. *Dit danske Landbrug under Krigssituationen.* Nat. òk. Tids., Mar.-Apr., 1918. Pp. 27. A discussion of the present agricultural problems of Denmark. Denmark is in no particular danger of starvation, but her animal husbandry is in danger unless proper precautions are taken in time.

PEARL, R. *Wheat conservation the salvation of our allies.* Annalist, July 15, 1918. P. 1. An analysis of the grain situation during the last two years showing the influence of wheat conservation, with table.

RUSSELL, C. E. *The Non-Partisan League.* Pubs. Am. Sociol. Soc., 11. Mar., 1917. Pp. 6. The beginning of the Farmers' Non-Partisan Political League and a statement of conditions leading to its formation.

SAKOLSKI, A. M. *Government marketing of Australian wheat.* Am. Econ. Rev., Dec., 1918. Pp. 3.

SPILLMAN, W. J. *Factors of successful farming near Monett, Mo.* U. S. Dept. Agr. Bull. 633, Feb., 1918. Pp. 28. A comparative study of the



business of different types of farms from survey records, with the organization of typical farms.

TAYLOR, H. C. *Price-fixing and the cost of farm products*. Univ. of Wis. Agr. Exp. Sta. Bull. 292, May, 1918. Pp. 16. A discussion of the elements of cost in producing farm products and facts to consider in price fixing.

THOMPSON, C. W. *Rural surveys*. Pubs. Am. Sociol. Soc., 11. Mar., 1917. Pp. 5. A brief statement of the purposes and kinds of rural surveys and methods of making them.

VOGT, P. L. *The land problem and rural welfare*. Pubs. Am. Sociol. Soc., 11. Mar., 1917. Pp. 13. An argument in favor of land ownership as opposed to tenantry for the economic and social well being of the population.

VON TUNGELN, G. H. *The results of some rural social surveys in Iowa*. Pubs. Am. Sociol. Soc., 11, Mar., 1917. Pp. 29. A brief discussion of aims and methods of surveys, with a comprehensive presentation of data from two townships in Iowa. Eleven tables.

*A brief survey of agricultural coöperation in Norway*. Intern. Rev. Agri. Econ., Aug., 1916. Pp. 16. A brief history of agricultural coöperation and the development of different kinds of coöperative societies.

*Livestock on credit terms to Saskatchewan farmers, and the coöperative marketing of livestock and livestock products, butter, wool, etc.* Saskatchewan Dept. Agr. Bull. 45. 1917. Pp. 20. A description of the Saskatchewan method of distributing livestock and organizing coöperative associations for handling livestock and its products.

*Nationalizing agriculture*. New Statesman, July 6, 1918. Pp. 3. A criticism of Lord Selborne's subcommittee report on agricultural reconstruction, principally pointing out defects in policy.

*Nationalizing agriculture. II*. New Statesman, July 13, 1918. Pp. 2. A review of parts of the report of Lord Selborne's Committee touching upon nitrogen, agricultural education, and villages.

## Railways and Transportation

(Abstracts by Julius H. Parmelee)

ACWORTH, W. M. *The railways of Southern Rhodesia*. Ry. Gazette (London), July 12, 19, 26, 1918. Pp. 2, 3, 2. Report as special commissioner.

BOULGER, D. C. *The Dutch-German railways and their significance*. Nineteenth Cent., June, 1918. Pp. 9.

COLE, A. B. *By trolley to Berlin*. Nation's Business, Sept., 1918. Pp. 2. Share of the electric railway in moving war freight.

DOWN, S. G. *The evolution of the air brake*. Proc. Pacific Ry. Club, Aug., 1918. Pp. 22. Illustrated. ¶

E., R. *Railway travel and traffic before and after the war*. Ry. News (London), Sept. 21, 28, 1918. Pp. 2, 2.

ELY, O. *The inadequacy of present depreciation accounts*. Ry. Age, Sept. 20, 1918. Pp. 4.

- GARDNER, J. *Home rails: Should they be retained?* Finan. Rev. Rev., Sept., 1918. Pp. 13. Advises British railway investors to sell their securities.
- GREINER, J. E. *The American railway commission in Russia.* Ry. Rev., Aug. 3, 1918. Pp. 3.
- HARRINGTON, J. W. *Cost and advantages of railroad electrification.* Annalist, Sept. 2, 1918. Pp. 2.
- HARRINGTON, J. W. *Give us back our canals!* Rev. Rev., Sept., 1918. Pp. 8. Plea for a consistent canal program; illustrated.
- HURLEY, E. N. *Our railroads go to sea.* Nation's Business, Sept., 1918. Pp. 2. Our new merchant marine regarded as an extension of transportation facilities.
- JOHNSON, H. M. *Ten ways to meet the car shortage.* System, July, 1918. Pp. 3. Improved packing, loading, and delivery methods. Illustrated.
- JUDD, E. W. *Proposed new boundaries for standard time zones.* Ry. Age, Aug. 2, 1918. Pp. 3.
- LYNDE, F. *United States railways, consolidated.* Scribner's, Oct., 1918. Pp. 6.
- MCADOO, W. G. *Report to the President.* Ry. Rev., Sept. 14, 1918. Pp. 11. Text of report of Director General of Railroads covering seven months to July 31, 1918.
- MCJANNET, W. J. *The Uganda railway and the war in British East Africa.* Ry. Gazette (London), Sept. 27, 1918. Pp. 7. With map and illustrations.
- PARKS, C. E. *Efficiency in the handling of railway supplies.* Ry. Age, Sept. 6, 13, 1918. Pp. 5, 3. Methods on the Santa Fe.
- PARKS, C. E. *Fuel conservation on the Santa Fe.* Ry. Rev., July 27, 1918. Pp. 4.
- PARMELEE, J. H. *The railroad contract.* Nation's Business, Oct., 1918. Pp. 3.
- PARMELEE, J. H. *Report of the railroad wage commission.* Am. Econ. Rev., Sept., 1918. Pp. 5.
- PAYEN, E. *Les chemins de fer transafricains.* L'Econ. Franç., Aug. 3, 1918. Pp. 3.
- PEYRABON, G. *La réforme des tarifs de chemins de fer.* L'Europe Nouvelle, Aug. 17, 24, 31, Sept. 7, 1918. Pp. 3, 2, 2, 5.
- PORRITT, E. *Canada's national grain route.* Pol. Sci. Quart., Sept., 1918. Pp. 34. Development of rail, water, and elevator facilities for grain transportation.
- PORTER, J. G. *Operation of the United States military railways in France.* Ry. Age, Sept. 20, 1918. Pp. 3.
- PRATT, E. A. *Agricultural policy and transport.* Ry. News, Aug. 3, 10, 17, 24, 31, Sept. 7, 1918. Pp. 1, 1, 2, 2, 2, 2. Review of report of Agricultural Policy subcommittee of Reconstruction Committee; covers aircraft, canals, highways, light railways, and general recommendations.
- SCOTT, F. E. *Position of the traffic man in the present crisis.* Pacific Ry. Club Pro., July, 1918. Pp. 9.

- SIMSON, F. H. *The effect of the war on railroad securities.* Comm. & Fin. Chron., Am. Bankers Conv. Section, Oct. 12, 1918. Pp. 6.
- STAAKS, W. *The railroad contract.* Invest. Wkly., Sept. 16, 1918.
- TALBOT, F. A. *Railway reconstruction in Great Britain.* South African Rys. & Harbours Mag., July, 1918. Pp. 7. Development of light railways, electrification, nationalization, etc.
- TOWNSEND, F. B. *Evolution of transportation under government control.* Way-bill, Aug.-Sept., 1918. Pp. 3.
- UNTERMAYER, S. *The operating contract and the future of railroad securities thereunder.* Comm. & Finan. Chron., Am. Bankers Conv. Section, Oct. 12, 1918. Pp. 7.
- WATERMAN, R. *Government control: the first mile post.* Nation's Business, Aug., 1918. Pp. 3.
- WOODS, H. C. *The Bagdad railway.* N. Am. Rev., Aug., 1918. Pp. 10.
- Chinese railway reports for 1917.* Far Eastern Rev., Sept., 1918. Pp. 4.
- The development of the Brazilian railways.* Ry. Age, Oct. 18, 1918. Pp. 4.
- French railways during the war.* Ry. Age, Aug. 2, 1918. Pp. 2. Quoted from bulletin of Paris Chamber of Commerce, June, 1918.
- Functions of railway corporate organizations.* Ry. Age, Oct. 11, 1918. Pp. 2. As illustrated by the Pennsylvania Railroad system.
- Goods traffic on tramways.* Ry. News (London), Sept. 7, 14, 21, 1918. Pp. 1, 1, 1.
- Japanese state railways.* Ry. News (London), Mar. 16, 1918. Pp. 2. Review of the fiscal year to March 31, 1917.
- A low grade route to Szechwan.* Far Eastern Rev., July, 1918. Pp. 5. With maps and illustrations. Proposed rail extension into the most inaccessible province in China.
- Maintenance work is being seriously delayed.* Ry. Age, July 12, 1918. Pp. 3.
- The partnership between railways and agriculture in China.* Far Eastern Rev., June, 1918. Pp. 6.
- Railroad construction progress in Alaska.* Ry. Rev., Oct. 5, 12, 1918. Pp. 4, 2. Completion of road between Anchorage and Seward. Illustrated.
- Railway fuel economy.* Ry. Rev., July 13, 1918. Pp. 3. Abstract of report of an American Railway Master Mechanics Association committee.
- Report on proposed store door freight delivery in New York City.* Ry. Rev., July 13, 1918. Pp. 5. Prepared by Interstate Commerce Commissioner Harlan.
- Store door delivery plan is formally adopted.* Greater New York, July 15, 1918. Pp. 7. Outline of both problem and plan.
- The rise in railway rates in Japan.* Far Eastern Rev., Aug., 1918.
- The serious condition of the railways in Mexico.* Ry. Age, Aug. 16, 1918. Pp. 3. Abstract of a Department of Commerce report.

*Telephone and telephone systems taken over.* Ry. Rev., July 27, 1918. Pp. 2.

*Unit operation of railroad terminals.* Ry. Rev., Sept. 28, 1918. Pp. 4. From preliminary report of Committee on Yards and Terminals, American Railway Engineering Association, Bulletin 208.

*Women in railway work.* Ry. Rev., July 27, 1918. Pp. 2.

*Working the railways.* Board of Trade Journ. (London), Mar. 28, Apr. 4, 11, 18, 1918. Pp. 2, 2, 2, 2. Brief sketch of British railways' work for the war.

### Commerce

(Abstracts by H. R. Tosdal)

ALLIN, C. D. *Federal aspects of preferential trade in the British empire.* Am. Pol. Sci. Rev., Aug., 1918. Pp. 21. Surveys experience of British empire in preferential traffic, devoting special attention to Australian and Canadian experience, and to recent Imperial agitation.

ARBUTHNOT, C. C. *The thrift campaign versus "business as usual."* Bankers Mag., July, 1918. Pp. 7. Presents the usual economic arguments to prove that economy is necessary in order to carry the war burden and that the slogan "business as usual" involves fallacious reasoning.

BALLOU, S. *The ruling market.* Facts About Sugar, July 20, 1918. Pp. 2. States that New York has superseded London as the ruling or primary sugar market where world values are determined. Distinction between ruling and quotation point.

BEALS, A. E. *Building material trades claim place as war industries.* Annalist, Sept. 9, 1918. Pp. 2. Though classed as non-essential the nation's demands have dug deep into the manufacturers' reserve supplies while government restraints have checked production; building interests said to be threatened unless wider consideration is accorded the trade on the preference list.

BERGLUND, A. *Our trade balance and our foreign loans.* Journ. Pol. Econ., A study of our trade balance emphasizing especially the invisible items such as return of American securities and loans by the United States.

BERGLUND, A. *Price-fixing in the iron and steel industry.* Quart. Journ. Econ., Aug., 1918. Pp. 23. A study of the measures taken by the government to fix iron and steel prices in 1917-18, following extraordinary rise in 1916-1917.

BLAKEY, R. G. *Sugar prices and distribution under food control.* Quart. Journ. Econ., Aug., 1918. Examination of sugar prices and distribution during the past two years. Conclusion is that transportation has dominated distribution of sugar, but regulated prices have been somewhat lower than they would have been without regulation.

COWEN, A. Y. *Combination for export trade legalized.* Journ. Am. Bankers Assoc., July, 1918. Pp. 4. Brief review of the Webb-Pomerene act and of the advantages of export combinations which the act is designed to secure.

FINCH, A. *The overseas trade and British dyes.* Finan. Rev. Rev., June,

1918. Pp. 13. Emphasizes very strongly the need of economic association and organized chemical research to place the English dyestuff industry upon a satisfactory basis after the war.
- GUYOT, Y. *L'industrie maritime britannique*. Journ. des Econ., Aug., 1918. Pp. 15. Study of the final report of committee of the British Board of Trade on the shipping industry and plans for after the war.
- KERR, K. C. *Puget Sound foreign trade*. Stone & Webster Journ., Sept., 1918. Pp. 6. Gives reasons for the recent rise of the Washington customs district to a place second to New York.
- LECARPENTIER, G. *Le commerce franco-espagnol et son avenir*. L'Econ. Franç., June 8, 1918. Pp. 3. Brief statistical survey of the commerce between France and Spain, comparing the periods 1902-6 and 1907-11 with the four years following.
- LECARPENTIER, G. *Le commerce franco-hollandais et son avenir*. L'Econ. Franç., Aug. 3, 1918. Pp. 4. Statistical analysis of commerce between Holland and France, 1903 to the present.
- MARSH, A. R. *The principles that should underlie our foreign trade policy after the war*. Econ. Wld., Aug. 3, 1918. Pp. 2. "The truly sound theory of foreign trade, before the war or after the war, is to look primarily for expansion and profit to the countries which already 'produce a surplus,' and to assist to the utmost the 'production of a surplus' in the more backward countries."
- MARTIN, P. F. *Post bellum trade. What of ours?* Finan. Rev. Rev., June, 1918. Pp. 22. Argues that Germany's industrial and economic structure will collapse upon the return of peace, that national bankruptcy is unavoidable. Declares British burden heavy but supportable.
- PAYEN, E. *Le lait, le oeuf et les fromages, leur réglementation et leurs prix*. L'Econ. Franç., Sept. 14, 1918. Pp. 2. Brief account of prices and regulation of butter, eggs, and cheese in France.
- PAYEN, E. *Les oeufs, leur production et leur marché*. L'Econ. Franç., Sept. 7, 1918. Comparison of egg production and egg prices before the war conditions in France.
- PORRITT, E. *Canada's national grain route*. Pol. Sci. Quart., Sept., 1918. Pp. 33. Survey of the development of the Canadian system of transportation and storage facilities for handling Canadian grain.
- RICHARDS, H. G. *"A ministry of industry and commerce."* Finan. Rev. Rev., Sept., 1918. Pp. 16. Argument for the creation of a ministry of industry and commerce in Great Britain which should take over activities now performed by other agencies but unsatisfactorily correlated.
- ROVENSKY, J. *The United States in its new capacity as a creditor nation*. Econ. Wld., Sept. 21, 1918. Pp. 3. Estimates that the United States will in the course of a year become a creditor nation to the extent of about nine billion dollars.
- DE STREEL, DU V. *L'utilisation de notre domaine colonial*. Réf. Soc., June 1, 1918. Urges much greater utilization of colonial possessions as sources of needed raw materials.

- SWAZEY, E. S. *Analysis robs our export trade of its seeming growth.* *Annalist*, Sept. 30, 1918. Pp. 2. "Measured by the pre-war value of the dollar the grand total does not greatly exceed the natural normal increase and this year has dropped even below. Falling off is noted in South American commerce."
- TAUSSIG, F. W. *Doubtful devices for promoting the country's foreign trade.* *Econ. Wld.*, June 29, 1918. Reprint of arguments advanced in address at Foreign Trade Convention against several devices sometimes advocated for the promotion of foreign trade.
- TAUSSIG, F. W. *A fair field and no favors.* *Nation's Business*, July, 1918. Pp. 2. The last of a series of articles dealing with various devices advocated for the promotion of foreign trade.
- Britain's after-war trade policy.* *Naut. Gaz.*, July 13, 1918. Discusses preferential tariffs, coal exports, and commercial relations with enemy countries.
- Copper in the Americas.* *Bull. Pan Am. Union*, July, 1918. Pp. 23. Description of copper resources and development in Latin-American countries.
- The corn and meat trades since the war.* *Journ. Royal Agri. Soc. (England)*, 3d series, 77 (1916). Pp. 16. Statistics of the meat trade and description of the influence of war conditions.
- Some papers read at the Fifth National Foreign Trade Convention.* *Bull. Pan Am. Union*, May, 1918. Pp. 11. Brief critical review of some of the more important papers.
- A study of the trade balance and foreign exchange situation of Chile.* *Econ. Wld.*, July 27, 1918. Pp. 3. Ascribes the abnormally high and fluctuating exchange in Chile to the large favorable balance, the reluctance of the nations at war to permit the shipment of gold, and the circulation of depreciated inconvertible paper money.
- Trade after the war.* *Engg.*, June 21, 1918. Findings of the departmental committee appointed by the British Board of Trade to consider the position of the engineering trades.

### Accounting

(Abstracts by Martin J. Shugrue)

- ALVORD, J. W. *Fixing utility valuations.* *Pub. Service*, Oct., 1918. Pp. 3. Reproduction cost, less depreciation with equilibrium between public needs and source of supply should give intrinsic value as the proper basis. Objects to past costs as basis of valuation.
- BAUER, J. *The control of street railway rates fixed by local franchise in the state of New York.* *Am. Econ. Rev.*, Sept., 1918. Pp. 4.
- BAUER, J. *Fixing depreciation requirements under the public service commission's law of New York.* *Am. Econ. Rev.*, Sept., 1918. Pp. 3.
- BAUER, J. *Fixing depreciation under New York commission law.* *Pub. Service*, Oct., 1918. Pp. 2. Criticism of legalistic decision requiring one fifth operating revenue for maintenance and for depreciation on what was not required for current repairs.



- BAUER, J. *Some pitfalls in regulating depreciation.* Elec. Ry. Journ., Aug. 24, 1918. Pp. 3. In determining past investment commissions should adopt a reasonable depreciation-deduction rule regardless of subsequently used methods of computing depreciation. Future deductions in rate cases, however, depend upon financial and accounting policies followed.
- BELL, W. H. *Corporation organization and accounting.* Journ. Account., Aug., Sept., 1918. Pp. 10, 21. (1) Deals particularly with the accounting aspects of the formation and capitalization of corporations with special reference to the laws of Missouri. (2) Deals with capital stock records, treasury stock, reduction of capital stock, organization expenses, dividends, affiliated companies, bonds, and receiverships and trusteeships.
- CASTENHOLZ, W. B. *Is interest on invested capital a cost?* Journ. Account., Apr., 1918. Pp. 6. Capital invested in plant is a deferred charge to operations and it finds its way into operations currently in exactly the same way as any other force or factor of production.
- FAIRCHILD, F. G. *Economic nature of the stock dividend.* Bull. Nat. Tax Assoc., Apr., 1918. Pp. 3. The recent decision of the United States Supreme Court has brought this matter to a head as regards the income tax. Legal dictum and economic principles are now in harmony.
- FERNALD, H. B. *Depreciation and obsolescence.* Journ. Account., Apr., 1918. Pp. 7. Latest regulations of the treasury department make a more consistent set of rulings regarding depreciation and obsolescence than have existed heretofore.
- GRAHAM, B. *The great steel tax mystery.* Part 2. Mag. of Wall St., Sept. 14, 1918. Pp. 5. Discusses various phases of the United States Steel tax situation; other steel and equipment stocks; excessive and insufficient tax reserves.
- GREENWOOD, G. W. *A simple flexible cost system.* Indus. Management, Aug., 1918. Pp. 2. A system in actual operation to reduce the work of accounting and cost finding and at the same time provide the necessary flexibility.
- HUBBARD, H. *The Supreme Court on appreciation in value as an element in "invested capital."* Econ. Wld., Sept. 21, 1918. Points out various inequalities of the present income tax laws as respects the definition of "invested capital" and shows the necessity of revision in certain cases.
- KNOX, C. C. *Appraisalment of real estate.* Am. Bldg. Assoc. News, Sept., 1918. Pp. 3. A system for appraising buildings on a cubic foot basis and land on a square foot basis after having determined the rating to be applied in each case. Used primarily for financial institutions in the case of prospective loans.
- LAWTON, W. H. *Liberty loan accounting for small banks.* Journ. Account., Aug., 1918. Pp. 5. Describes a system adopted by a small trust company in a suburban town.
- LEAMY, R. H. *Essential features of a report for credit purposes.* Journ. Account., Sept., 1918. Pp. 7. A careful statement of the more important points to be covered in a report for use by a banker or prospective creditor. The proper segregation and investigation of the balance-sheet items.

- McKAY, C. W. *Depreciation and its relation to industrial appraisement*. Indus. Management, Apr., 1918. Pp. 3. In this article the causes of depreciation are given and its method of computation shown by a few examples.
- MOREY, L. *Financial reports of public institutions*. Journ. Account., July, 1918. Pp. 5. What the general features of such reports should cover and how the data should be classified and arranged.
- RUSSELL, H. A. *Cost estimates and estimated costs*. Indus. Management, Apr., 1918. Pp. 4. Both estimates and costs can, in general, be only approximately correct because each is influenced by certain factory averages. Outlines a method of keeping approximate costs and for showing comparison of costs and estimates.
- SAKOLSKI, A. M. *The valuation of the Texas Midland Railroad*. Am. Econ. Rev., Dec., 1918. Pp. 4.
- STARKER, C. W. *How to find and use barometric costs*. Indus. Management, Aug., 1918. Pp. 3. Method of charting cost figures in order to show how changes in cost of material, labor, and overhead will influence the finished cost of any unit.
- THULIN, F. *Deductibility of interest charges*. Journ. Account., July, 1918. Pp. 10. A severe criticism of certain features of the federal tax laws enacted in October, 1917, supplemented with four illustrations of the application of the present legal ruling.
- THULIN, F. *Procedure in a bank audit*. Journ. Account., Sept., 1918. Pp. 21. Explains the detailed procedure that a bank audit should follow and the primary questions that should be covered.

### Investments and Securities

(Abstracts by A. S. Dewing)

- STAAKS, W. *Bonds of the foreign governments. The remarkable price recovery which has accompanied the turn in the military situation*. Invest. Wkly., Sept. 2, 1918. Title gives summary. Same movement has continued since.
- STILES, C. R. *The alphabet of investment*. (Conclusion.) Fin. Rev. Rev., Sept., 1918. Suggested methods of accounting. English point of view.
- WARBURG, P. M. *Shrinkage in public utility securities and their relation to war financing*. Journ. Am. Bankers Assoc., July, 1918. Outline particularly of what the Capital Issues Committee has been doing.
- Fluctuation in market value of Liberty Bond issues*. Annalist, Sept. 1, 1918. Brief outline.

### Corporations

(Abstracts by A. S. Dewing)

- BELL, W. H. *Corporation organization and accounting*. Journ. Account., Sept., 1918. Brief, somewhat technical treatment of some corporation accounting problems. Treatment of affiliated companies' accounting deserves careful study.
- DAGGETT, S. *Recent railroad failures and reorganization*. Quart. Journ.

Econ., May, 1918. Penetrating analysis of the railroad failures and reorganizations since 1907.

FERNAND-JACQ. *Les modifications à apporter au régime de guerre des monopoles industriels.* Journ. des Econ., Aug. 15, 1918. A critical account, but presumes a long war.

HAUSER, H. *La syndicalisation obligatoire en Allemagne.* Rev. d'Econ. Pol., May-June, 1918. This is an inadequate review of the hand of the government in the German cartells.

### Labor and Labor Organizations

(Abstracts by George E. Barnett)

COMSTOCK, L. K. *A method for a compensated wage by index numbers.* Journ. Account., July, 1918. Pp. 22. Urges the periodic readjustment of wages in accordance with changes in an index number of prices.

DEKALB, C. *The problem of a Chinese labor army.* Mfrs. Rec., July 4, 1918. Problems in connection with the importation of Chinese labor.

DEPLESSIX, E. *Les sociétés anonymes à participation ouvrière.* Journ. des Econ., Aug. 15, 1918. Pp. 16. An examination of the causes of the failure of the law of 1917 to stimulate the formation of such associations.

FREY, J. P. *The ideals in the American labor movement.* Intern. Journ. Ethics, July, 1918. Pp. 14.

GIBSON, J. E. *Women on Kansas City railroads.* Aera, Sept., 1918. Pp. 10. A favorable report by the general manager of the company.

GLEASON, A. *British labor breaks the truce.* Survey, July 27, 1918. Pp. 6. A report with numerous verbatim quotations of the proceedings of the June, 1918, conference of the British Labour party.

HOAGLAND, H. E. *Closed shop versus open shop.* Am. Econ. Rev., Dec., 1918. Pp. 11.

HORNE, E. A. *Industrial development and the labour question.* Bengal Econ. Journ., Apr., 1918. Pp. 12. The scarcity of industrial labor in India can best be remedied by delocalizing industries.

JEVONS, H. S. *The labor question as affecting industrial development in India.* Bengal Econ. Journ., Apr., 1918. Pp. 20. The desired increase in the supply of industrial labor can be effected most readily by improvement in the conditions of life in the cities.

MCCLENNAN, W. J. *Piece work system in railway shops.* Ry. Mech. Engr., July, 1918. Methods for determining proper prices and the forms used.

MORAMETZ, V. *Prosecuting war to victory a labor problem.* Annalist, July 1, 1918. Pp. 2. A plan for increasing the supply of labor and making it more effective.

POWELL, T. R. *Collective bargaining before the Supreme Court.* Pol. Sci. Quart., Sept., 1918. Pp. 33. A detailed review of the reasoning in the cases of *Adair vs. United States*, *Cappage vs. Kansas* and *Kitchman Coal and Coke Company vs. Mitchell et al.*

PRACHE, L. *Société d'économie sociale: la bourse libre du travail et son action sociale*. Réf. Soc., May 1, 1918. Pp. 20. Describes the aims and methods of the organization, which is independent of the G. C. T.

*Declaration of a war labour policy by the Dominion government*. Lab. Gaz., Aug., 1918. Pp. 5. The text of the Order in Council embodying the labor policy of the Canadian government.

*Employees demand wage of sixty cents an hour*. Elec. Ry. Journ., July 6, 1918. Pp. 6. Review of the arguments of the street railway employees before the National War Labor Board.

*Extract from report of American Labor Commission*. Am. Feder., July, 1918. Pp. 6.

*Public service company says living wage is \$1.15*. Elec. Ry. Journ., Aug. 3, 1918. Pp. 5. Summary of the brief of the Public Service Railway of Newark, N. J., in the case before the National War Labor Board.

*Summary of reports of the "Whitley Committee" of relations between employers and employed in United Kingdom*. Lab. Gaz., Sept., 1918. Pp. 7.

*Works committees*. Times Engg. Supp., June, 1918. Report of the British Joint committees of managers and workmen.

### Money, Credit, and Banking

(Abstracts by Chester A. Phillips)

AGGER, E. E. *Achievements of the federal reserve system*. Mag. of Wall St., July 6, 1918. Pp. 4. The unification of our banking system, mobility of credit, protection of gold reserves, war finance work.

AGGER, E. E. *Federal reserve system and American business*. Mag. of Wall St., July 20, 1918. Pp. 3. The elimination of panics, the establishment of international banking relations, the future development of the system.

ANITA, M. J. *Capital and the rate of interest after the war*. Journ. Indian Econ. Soc., Mar., 1918. Pp. 10. The scarcity of capital arising from the world war will be favorable to a high rate of interest for an indefinite period after the return of peace.

BRADFORD, E. A. *A chance to relegate silver to subsidiary currency*. Annalist, Sept. 2, 1918. Pp. 2. The Pittman law, authorizing the desirable sale of silver stored in our treasury vaults, errs in requiring repurchase by the treasury.

BRETTON, A. *Commercial credits through trade and bank acceptance*. Econ. Wid., July 13, 1918. Pp. 4. The uses and limitations of trade and bank acceptances.

BRETT, A. C. *Successful operation of agricultural departments by banks and trust companies*. Trust Companies, July, 1918. Pp. 6. How the Plymouth County Trust Company of Brockton, Mass., promotes the interests of its farmer customers.

CHAKRAVARTI, J. S. *The development of savings banks*. Bengal Econ. Journ., Apr., 1918. Pp. 16. Historical and descriptive account of savings institutions in the Mysore State.

- CLAUSEN, J. *The gold situation*. Banking Law Journ., Sept., 1918. Pp. 8. Contends that gold production is an essential industry and, as a war measure, would invoke some form of government assistance.
- CONCIALINI, P. *Un metodo grafico per la valutazione dei prezzi in base alle variazioni del mercato*. Giorn. d. Econ., June, 1918. Pp. 3.
- COVERLY, J. H. *Scientific and standardized basis for trust company fees and charges*. Trust Companies, July, 1918. Pp. 6. The report, with twelve schedules, presented by the Committee on Standardization of Fees and adopted by the Trust Company section of the California Bankers' Association.
- COVAGEE, J. C. *The appreciation of silver*. Bengal Econ. Journ., Apr., 1918. Pp. 23.
- GRUNBERG, M. *La politica economica post-bellica dei grandi istituti bancari italiani*. Giorn. d. Econ., July, 1918. Pp. 11.
- GUYOT, Y. *La discussion sur le renouvellement du privilège de la Banque de France*. Journ. des Econ., July 15, 1918. Pp. 16. A justification of the policy of the Bank of France immediately preceding the war and a defense of its later activities.
- HARDING, W. P. G. *Inflation and curtailment of non-essential credits*. Trust Companies, Sept., 1918. Pp. 3. Contends that the federal reserve note does not initiate credit expansion; it is merely an incident of an expansion that has already taken place.
- INOUE, V. *La Siberie, terre de l'or*. Parts I, II, III. L'Europe Nouvelle, Aug. 10, 1918. Pp. 2. Translations of extracts from "The Taijo," April, 1918, showing the great importance of Siberia as a future gold producing area.
- KEMMERER, E. W. *Interest rates: present and future as affected by the war*. Trust Companies, Sept., 1918. Pp. 5. The ultimate effect of the war is likely to be interest rates below the pre-war levels.
- KEMMERER, E. W. *Is the short-time liquid security an essential of the proper operation of the savings bank?* Econ. Wld., Sept. 22, 1918. Pp. 4. Its safety, yield and availability render prime commercial paper a desirable savings bank investment.
- KIRSHNAMURTHI, T. S. *Banks and native states*. Journ. Indian Econ. Soc., Mar., 1918. Pp. 6. A plea for the establishment of banks by the native states of India.
- LAW, W. A. *The clearing house as a power in war and peace*. Econ. Wld., Sept. 28, 1918. Pp. 2. The rise and decline of the clearing house in United States; its present status and influence.
- MADAN, B. F. *Our currency problems*. Bengal Econ. Journ., Apr., 1918. Pp. 32. The currency "shortage" in India, its causes and remedies.
- METZ, S. *Present and future problems in foreign exchange situation*. Trust Companies, August, 1918. Pp. 5. The present and future position of United States in international finance.

- MOULTON, H. G. *Commercial banking and capital formation*. III. Journ. Pol. Econ., July, 1918. Pp. 27. A study in the liquidity of bank loans and investments.
- POLIER, L. *La banque d'exportation*. L'Europe Nouvelle, Aug. 10, 1918. Pp. 3. A consideration of the structure and functions of an export bank the capital of which, it is proposed, would be furnished by the Bank of France as a new advance without interest.
- POLIER, L. *La stabilisation des changes et ses limites*. L'Europe Nouvelle, Aug. 24, 1918. Pp. 3. The only permanent corrective of unfavorable exchanges is an increase in production and exportation.
- RENCKERT, A. *Banking in Alsace-Lorraine*. Scottish Bankers Mag., July, 1918. Pp. 6. The influence of the French in Alsace-Lorraine banking has been tenaciously predominant.
- REED, H. L. *Senator Owen's proposal to stabilize foreign exchange rates*. Am. Econ. Rev., Sept., 1918. Pp. 8.
- ROSEBERRY, L. H. *Standardization of trust company business and administrative policies*. Trust Companies, June, 1918. Pp. 5. Practical results obtained in California.
- SLATER, G. *The after-war price of silver*. Bengal Econ. Journ., Apr., 1918. Pp. 7. Predicts a rise in the price of silver.
- VISSEING, G. *La politica bancaria olandese e la guerra*. Riv. di Sci. Banc., Feb. 28, 1918. Pp. 8.
- Adaptation of the federal reserve system to Greece*. Scottish Bankers Mag., July, 1918. Pp. 5.
- Anglo-Argentine banking*. Bankers' Ins. Man. & Agent's Mag., Aug., 1918. Pp. 5. Prohibitions and lack of freight space have curtailed Anglo-Argentine trade and banking. The energetic work of Japanese, Dutch, Scandinavian and our own banks in the Argentine have curtailed the operations of English banks there.
- Banking amalgamations*. Bankers' Mag. (London), July, 1918. Pp. 12.
- The banking monopoly*. Wealth of India, Apr., 1918. Pp. 3.
- Depreciation of currency in Germany*. Am. Econ. Rev., Dec., 1918. Pp. 8.
- The progress of banking in Great Britain and Ireland during 1917*. Bank. Ins. Man. & Agent's Mag., June, 1918. Pp. 9. The proportion of capital and reserve (surplus) to creditor liabilities of banks in Great Britain and Ireland was 15 per cent in 1897 and 7 per cent in 1917.
- The report of the Bank of France*. Bankers' Ins. Man. & Agent's Mag., Aug., 1918. Pp. 33.
- Report of the Treasury Committee on Bank Amalgamations*. Journ. Inst. Bankers, June, 1918. Pp. 5. Private banks in England fell from 37 to 6, 1891-1917, and joint stock banks fell from 106 to 34 during the same period. Amalgamations now consist, not in the absorption of a local bank by a larger and more widely spread joint stock bank, but in the union of two joint stock banks, both already possessing large resources and branches

over a wide area. The danger of monopoly prompts the recommendation that legislative approval be a prerequisite to amalgamation.

### Public Finance

(Abstracts by Charles P. Huse)

- ANDERSON, B. M. *Expediency of federal taxation of \$8,000,000,000 for the current fiscal year.* Econ. Wld., Aug. 19, 1918. Pp. 2. Strongly favors this program.
- ARNOLD, S. *A capital levy: the problem of realisation and valuation.* Econ. Journ., June, 1918. Pp. 10. The payment of the war debt by a levy on capital is practicable and more just than its payment by a high income tax.
- ASTLEY, H. J. D. *The morality of investment.* Finan. Rev. Rev., Sept., 1918. Pp. 18. Discusses economic questions from the ethical standpoint, pointing out, for example, how the necessity of raising huge war loans has increased British thrift.
- BEEBE, H. F. *Federal taxation of income from bonds of states and their subdivisions.* I. B. A. of A. Bull., Oct., 1918. Pp. 3. Believes the proposed tax would be inexpedient as well as unconstitutional.
- BOND, H. H. *A practical aspect of the stock dividend question.* Bull. Nat. Tax Assoc., June, 1918. Pp. 4. Gives examples to show that stock dividends do not always reduce market values or cash dividends.
- BORGATTA, G. *Intorno alla pressione del prestito e dell' imposta.* Rif. Soc., May-June, 1918. Pp. 16.
- CULBERTSON, W. S. *International tariff relations as affected by the war.* Quart. Journ. Econ., Aug., 1918. Pp. 20. Advocates the establishment of a permanent international tariff commission to deal with the problem of tariff discriminations.
- DECAMPS. *La guerre et les finances de la France.* Rev. d'Econ. Pol., May-June, 1918. Pp. 21. A survey of French war finance: expenditures, domestic foreign loans, the Bank of France and its relations to the government.
- DEWAVRIN, M. *L'impôt sur les bénéfices de guerre aux Etats-Unis.* Journ. des Econ., June, 1918. Pp. 13. In a critical study of the American excess-profits tax, finds much to commend.
- DOUCET, R. *La taxe sur les objets de luxe.* Monde Econ., June 29, 1918. Pp. 3. The French luxury tax, its effect upon industry and proposed substitutes for it.
- FAIRCHILD, F. R. *Equity in the taxation of foreign corporations.* Part II. Bull. Nat. Tax Assoc., June, 1918. Pp. 5. Formulates principles for the taxation of foreign corporations.
- FAIRCHILD, F. R. *The stock dividend. A rejoinder.* Bull. Nat. Tax Assoc., June., 1918. Pp. 4. Considers it capital, not income.
- FARNET, E. *L'application de la convention douanière de 1914 entre la France et la principauté de Monaco.* Monde Econ., June 1, 1918. Pp. 3. The



great decrease in the customs revenue of Monaco on account of the war has imposed a burden on the French treasury.

FEUGERE, E. *La situation financière actuelle de la Ville de Paris*. Econ. Franç., July 20, 1918. Pp. 3. Paris is meeting her war expenditures by increased taxes and heavy loans.

FREY, M. F. *Suggestions for simplifying the federal income tax law*. Trust Companies, June, 1918. Pp. 5. The complex system of rates, established by various tax laws, should, first of all, be simplified.

GARDNER, H. B. *The expediency and equity of general consumption taxes in financing the war*. Econ. Wld., Aug., 1918. Pp. 3. Recommends such taxes as a means of securing contributions from the great farming and wage-earning population.

GOWER, W. B. *Depletion of copper mines*. Journ. Account., Aug., 1918. Pp. 12. The introduction of the income tax has at last caused mining companies to allow for depreciation.

GRAHAM, B. *War taxation and cash position of industrials*. Mag. of Wall St., July 20, 1918. Pp. 5. Lack of cash assets may lead to an era of scrip dividends.

GRIZIOTTI, B. *Prestiti e imposte nelle finanze di guerra*. Rif. Soc., May-June, 1918. Pp. 21.

GUYOT, Y. *Les finances de guerre des Etats-Unis*. Journ. des Econ., June, 1918. Pp. 6. Reviews with satisfaction the accomplishments of the United States in financing the first year of the war.

HARVEY, R. S. *Our income tax in the forming*. Bull. Nat. Tax. Assoc., June, 1918. Pp. 7. After a brief outline of its growth in other countries, traces the development of the income tax in the United States.

HOOKE, A. *A tax on capital and redemption of debt*. Econ. Journ., June, 1918. Pp. 9. A favorable view of the plan to discharge the war debt by a special levy.

HUIE, A. G. *Taxation on land values in New South Wales*. Single Tax Rev., May-June, 1918. Pp. 3.

IVES, H. A. S. *Could the present township assessor system be improved?* Bull. Nat. Tax. Assoc., June, 1918. Pp. 9. Recommends higher pay, selection from a civil service list and supervision by a county officer.

JEZE, G. *Les finances de guerre de l'Angleterre: la progression des dépenses publiques et le contrôle financier*. Rev. Sci. Légis. Finan., Apr.-June, 1918. Pp. 38. Continues a study of British war finance, with especial attention to public expenditures.

JEZE, G. *Les finances de guerre de la France: les rapports de la Banque de France et de l'Etat pendant les années 1915 et 1916*. Rev. Sci. Légis. Finan., Apr.-June, 1918. Pp. 56. Believes the Bank of France yielded too much to the government especially in the excessive issue of notes.

KALE, V. G. *The Indian budget for 1918-19*. Journ. Indian Econ. Soc., Mar., 1918. Pp. 5. The Indian government has wisely refrained from increasing the taxation of an already heavily burdened people.

- MARSH, A. R. *Income and excess profit taxes and the cost of production.* Econ. Wld., July 13, 1918. Pp. 2. Except for a brief period, it is impossible to prevent the shifting of these taxes to the consumers.
- MARVIN, T. O. *Customs duties as a source of revenue.* Protectionist, July, 1918. Pp. 23. Believes the customs should be relied on to a greater extent in financing the war.
- PIGOU, A. C. *A special levy to discharge war debt.* Econ. Journ., June, 1918. Pp. 22. Believes the proposal worthy of careful consideration.
- QUAIL, J. *The proposed levy on capital.* Finan. Rev. Rev., Sept., 1918. Pp. 18. An account of the progress of this proposal in England with a statement of the arguments against its adoption.
- RAFFALOVICH, A. *Les finances allemandes.* L'Econ. Franç., July 6, 1918. Pp. 3. Discusses the wealth of Germany, proposed new taxes and the banking situation.
- RAFFALOVICH, A. *Troisième rapport sur les dépenses publiques en Angleterre.* Journ. des Econ., June 15, 1918. Pp. 4. Discusses the third report of the British parliamentary commission on public expenses.
- RETZ, *Le projet de rattachement des douanes au Ministère du Commerce.* Monde Econ., Aug. 31, 1918. Pp. 3. Discusses a proposal to change the departmental organization of the French customs service.
- RUHLING, G. H. *Paving and grading assessments on simple basis.* Engg. News Rec., May 30, 1918. Pp. 3.
- SOWERS, D. C. *The financial condition of Ohio cities.* Nat. Munic. Rev., July, 1918. Pp. 5. The imposition of a tax limit upon Ohio cities has resulted almost without exception in deficits.
- STAACKS, W. *An eighty per cent tax. How it would affect the earnings of some of our leading industrial corporations.* Invest. Wkly., Aug. 26, 1918. Pp. 3. Though it would reduce dividends, it would probably not lower them to where they were in the pre-war years.
- SURET, L. *Les ressources publiques et le budget.* L'Europe Nouvelle, Aug. 17, 1918. Pp. 2. A brief statement of Russian finances from 1913 to 1918.
- VAKIL, M. H. *Income taxation in British India.* Journ. Indian Econ. Soc., Mar., 1918. Pp. 6. Traces the income tax from its beginning in 1860 to the amendments of 1918.
- WILLIAMS, W. M. J. *Les finances du Royaume-Uni (1917-1918-1919).* Journ. des Econ., June, 1918. Pp. 21. The tremendous budget for 1919 shows the determination of the British people to carry the war to a victorious conclusion.
- The British war-profits tax adapted to our needs.* Annalist, June 24, 1918. Pp. 2. To secure justice, much must be left to administrative judgment.
- The budget.* Ban. Ins. Man. & Agent's Mag., June, 1918. Pp. 9. A concise statement of the British budget with interesting comments on post-bellum finance.

*Le budget de 1918. Avantages d'un budget regulier et le crédit de l'Etat.* L'Econ. Franç., Aug. 31, 1918. Pp. 3. In spite of the delay in passing the French budget of 1918, the return to a regular financial program is to be commended.

*The capital levy.* New Statesman, Aug. 17, 1918. Pp. 2. Favors this method of paying off the war debt.

*Conservation and taxation plans clash over motor car.* Annalist, Aug. 26, 1918. Pp. 2. The proposed curtailment in the output of passenger cars will soon reduce the revenue expected from the automobile tax.

*Expenditures of the state government of California.* Cal. Taxpayers' Journ., June, 1918. Pp. 11. Statistical review of the finances of California since 1902.

*Is the United States to have a luxury tax?* Annalist, July 29, 1918. P. 1. Describes the French and British methods of taxing luxuries.

*La tax de luxe et les dangers d'un impôt de remplacement.* L'Econ. Franç., June 29, 1918. Pp. 3. Considers some of the many objections raised against the new French luxury tax.

*War appropriations of \$50,000,000,000 for two years.* Annalist, July 29, 1918. P. 1. Points out that appropriations much exceed actual expenditures.

### Insurance and Pensions

(Abstracts by Henry J. Harris)

ANDREWS, J. B. *National effectiveness and health insurance.* Ann. Am. Acad., July, 1918. Pp. 8. A high standard of physique necessary for national efficiency; a system of health insurance will be necessary to secure this.

BRUNN, P. *Kriegslehren und Friedensaufgaben in der Invaliden- und Hinterbliebenenversicherung.* Zeitsch. f. d. ges. Versicherungswis., July, 1918. Pp. 17. The carriers have had to insure the older and weaker persons who replaced those in the army and the cost will eventually be heavy; they have subscribed to about one billion marks of war loans; the number of invalidity and of survivors pensions has increased greatly, due to war causes; the pensioners are dying more rapidly than is normal; medical treatment of those receiving sick pensions has decreased, because the sanatoria have been used for military hospitals; over 46 million marks have been expended for war welfare work. After war ceases, the chief demands on the carriers will be for medical treatment, etc., and for special service in combating venereal diseases. There will be an increase in claims for invalidity pensions.

BRUNN, P. *Die Rentenleistungen der Angestelltenversicherung im Vergleich mit denen der Invalidenversicherung.* Die Arbeiter-Versorgung, July 1, 1918. Pp. 7. The former are smaller than the latter; the two systems should be consolidated.

CLEARY, M. J. *The effects of the war upon the problems of insurance in the United States.* Econ. Wld., Sept. 14, 1918. Pp. 4. Government insurance should be restricted to the war period.

CUMMING, M. *The relationship of life insurance to the development of our agricultural resources.* Econ. Wld., Sept. 14, 1918. Pp. 4. Life companies can assist by loans to farmers, by encouraging them to take out life policies as a credit measure and as a means of increasing the capital of the next generation.

EDWARDS, J. S. *Business uses of life insurance.* Am. Underwriter, Aug., 1918. Pp. 5. Banking credit, protection of partners, payment of inheritance taxes.

FRANCE. MINISTÈRE DU TRAVAIL. *Le rétablissement des assurances sociales dans les territoires alsaciens occupés par les troupes françaises.* Bulletin, Mar.-Apr., 1918. Pp. 11. The French government is providing accident, sickness, and invalidity insurance for the inhabitants of the part of Alsace captured from Germany.

GERMANY. REICHVERSICHERUNGSAMT. *Geschäftsbericht des Reichsversicherungsamt, 1917.* Amtl. Nachr. des R. V. A., Mar., 1918. Pp. 68. Business of 1917 affected by war conditions to a marked degree. For the first time, the accident insurance was temporarily extended to include occupational diseases (nitrogen products), but limited to period of war. German establishments in occupied territory were included but not non-German. The invalidity insurance institutes participated in war work extensively, especially in building workmen's dwellings, hotels, etc., altogether 1,492,162,406 marks were expended for such welfare work.

HINCKS, W. E. *The work of local committees in administering the naval and military war pensions, etc., act, 1915.* Charity Organ. Rev., July, 1918. Pp. 13. Changing from voluntary to official paid service will result in improving the work.

HOFFMAN, F. L. *Social insurance in Germany as tested by the war.* Econ. Wld., Aug. 31, 1918. Pp. 4. The communal sickness insurance funds show threatened financial insolvency; the physical deterioration of the insured is the most serious result of war conditions.

JAEGER, H. *Der Krieg in Verwaltung und Rechtsprechung der deutschen Sozialversicherung.* Die Arbeiter-Versorgung, Aug. 11, 21, 1918. Pp. 12, 7. Administration and interpretation of the numerous military enactments and their relation to the insurance laws.

KLEIN, E. *Die Invaliditäts- und Sterblichkeitsverhältnisse der Beamten der k. bayerischen Staatseisenbahnen, 1891-1915.* Zeitsch. f. d. ges. Versicherungswis., July, 1918. Pp. 44. Experience in regard to employees of all classes, with life tables, etc.

LINDSAY, S. M. *Purpose and scope of war risk insurance.* Ann. Am. Acad., Oct., 1918. Pp. 16. Careful review of the various acts, summary of provisions, interpretation of provisions and concludes that these acts are expression of a new sense of social solidarity.

LOVE, T. B. *The social significance of war risk insurance.* Ann. Am. Acad., Sept., 1918. Pp. 6. General aspects of the soldiers' and sailors' act.

MARSH, A. R. *What is most interesting to insurance agents in the present economic situation?* Econ. Wld., Sept. 7, 1918. Pp. 6.

- VON MEER, H. *Die Teuerungszulage für Empfänger vom mehreren Unfallrenten*. Die Arbeiter-Versorgung, July 11, 1918. Pp. 4. The decree of January 17, 1918, granted a flat increase of 8 marks to receivers of accident pensions of two thirds or more of full pensions. Method of awarding this increase to those whose pension is paid on account of several different accidents is described.
- RUBINOW, I. M. *Prevention versus insurance?* New Republic, July 27, 1918. Pp. 3. Reply to the statements in the pamphlet of the National Industrial Conference Board.
- WOLFE, S. H. *Eight months of war risk insurance*. Ann. Am. Acad., Oct., 1918. Pp. 11. Review of operations.
- YOUNG, J. R. *The situation as regards the fraternal benefit societies*. Econ. Wld., Sept. 21, 1918. Pp. 3. The topics needing action by legislatures.
- The war time growth of British marine insurance*. Econ. Wld., Sept. 28, 1918. Summary statistics showing large increase in premium income in claims and a decrease in expense rates.

### Pauperism, Charities, and Relief Measures

(Abstracts by George B. Mangold)

- AMES, SIR H. *Canada's war relief work*. Ann. Am. Acad., Sept., 1918. Discusses the Canadian Patriotic Fund, its sources, the response of the people and the scope and plan of the relief work carried on through the Fund.
- DEVINE, E. T. *War relief work in Europe*. Ann. Am. Acad., Sept., 1918. Declares that the war has produced five results: diminished social income, disabled soldiers, dependent families, dislocated populations, and crippled social movements.
- KELLOGG, P. U. *Expanding demands for war relief work in Europe*. Ann. Am. Acad., Sept., 1918. The writer shows how the work of the American Red Cross in Europe has been gradually broadened from war relief to rehabilitation and from rehabilitation to a constructive program of social work.
- DE SCHWEINITZ, K. *New names for old*. Survey, Sept. 28, 1918. Discusses the future program of charity organization societies and in view of the enlarging spheres of their services, sympathizes with the proposed change of name for these organizations.
- RUBINOW, I. M. *Dependency index of New York City, 1914-1917*. Am. Econ. Rev., Dec., 1918. Pp. 28.

## NOTES

**AMERICAN ECONOMIC ASSOCIATION.** The annual meeting of the American Economic Association will be held on Friday and Saturday, December 27, 28, at Richmond, Virginia, the headquarters being Hotel Jefferson. Other societies meeting at the same time and place are the American Statistical Association, the American Sociological Society, the American Association for Labor Legislation, and the American Association for Agricultural Legislation.

The program of the American Economic Association will emphasize the many problems of reconstruction. The various committees which have been studying the economic phases of the war, including war finance, price fixing, foreign trade, transportation, purchasing power of money, labor, and marketing, will make reports. The presidents' addresses will be given on Friday evening: Elwood Mead for the American Association of Agricultural Legislation; Samuel McCune Lindsay for the American Association of Labor Legislation; and Irving Fisher for the American Economic Association. Presidential addresses of the American Sociological Society, by Charles H. Cooley, and of the American Statistical Association, by Wesley C. Mitchell, will also be given at a separate session on the same evening.

Since August 1, 1918, the following names have been added to the membership of the American Economic Association:

Adams, B. S., 41 La Salle St., Chicago, Ill.  
 Ames, E. E., Pioneer Box Co., Crawfordsville, Ind.  
 Andrews, Champe S., Chattanooga, Tenn.  
 Appleyard, T. J., Jr., Newark Chamber of Commerce, Newark, Ohio.  
 Bailey, A. L., Cohocton, N. Y.  
 Bannister, L. Ward, 804 Equitable Bldg., Denver, Col.  
 Binkerd, Robert S., 61 Broadway, New York City.  
 Bourdin, M., 21 Blvd. Lefevre, Paris, France.  
 Brugler, James R., Jr., 195 Broadway, New York City.  
 Campbell, Gilbert L., 2903 Harrison St., Evanston, Ill.  
 Cooper, Oscar H., 7th and Amarillo Sts., Abilene, Texas.  
 Cuddihy, Arthur B., 354 Fourth Ave., New York City.  
 Curtis, William E., 30 Broad St., New York City.  
 Diamond, J. Waisman, Calle Andes 484, Buenos Aires, Argentina.  
 Duncan, C. S., 4900 47th St., Washington, D. C.  
 Eliot, Mrs. Gilbert E., Care of L. A. Reynolds, Richmond, Mass.  
 Ellery, William, 263 Summer St., Boston, Mass.  
 Farley, Robert P., McCoy Hall, Baltimore, Md.  
 Gregg, Lieut. F. S., Room 129 War Department, Washington, D. C.  
 Haller, C. T., Colonial Supply Co., Pittsburgh, Pa.  
 Hamill, James L., Columbus, Ohio.  
 Harper, J. C., La Jolla, California.  
 Hauer, Kenneth, Bank and Patterson Sts., Cincinnati, Ohio.  
 Hecht, Charles, 35 Wall St., New York City.

- Higbee, J. E., 223 Losey Blvd., La Crosse, Wis.  
Holmes, George E., 30 Broad St., New York City.  
Holter, Edwin O., Mount Kisco, N. Y.  
Hughes, Gerald, International Trust Bldg., Denver, Col.  
Hurd, George F., 43 Exchange Place, New York City.  
Jenson, David, Col. Hudson Bldg., Ogden City, Utah.  
Johnson, W. E., Westerville, Ohio.  
Karasawa, Kohzo, 54 Morningside Drive, New York City.  
Keator, Charles E., 979 Park Place, Brooklyn, N. Y.  
Keppelman, John A., 540 Court St., Reading, Pa.  
Kirkpatrick, C. D., Walden Farm, Keota, Iowa.  
Laski, Leon, 160 Broadway, New York City.  
Libbey, Edward D., Toledo, Ohio.  
Lindley, Frank, 507 W. North St., Danville, Ill.  
Lucas, Thomas E., First National Bank Bldg., Tampa, Fla.  
Lyons, Albert E., 34 Monadnock Road, Worcester, Mass.  
McCaskey, Hiram D., 56 The Kenesaw, Washington, D. C.  
MacFarland, George A., 216 Greenwood Ave., Jenkintown, Pa.  
Mackintosh, W. A., Brandon, Manitoba, Canada.  
Marvin, L. P. Waldo, 36 Woodland St., Hartford, Conn.  
Mears, Otho F., Eastville, Va.  
Meyer, Carl, 208 S. La Salle St., Chicago, Ill.  
Miller, Charles P., 35 West 32d St., New York City.  
Noll, James G., Gas and Electric Bldg., Denver, Col.  
O'Brien, M. Hubert, 1405 Dime Bank Bldg., Detroit, Mich.  
O'Donnell, Thomas W., Vernal, Utah.  
O'Gorman, James A., 37 Wall St., New York City.  
Ohinata, C., 165 Broadway, New York City.  
Osgood, William N., Tremont Bldg., Boston, Mass.  
Perrine, L. L., 120 Broadway, New York City.  
Pettit, William C., Greenville, Pa.  
Pickens, Samuel O., Indianapolis, Ind.  
Pinchot, Amos R. E., 101 Park Ave., New York City.  
Pitts, John A., 814 Clark Place, Nashville, Tenn.  
Preston, Howard H., Oberlin College, Oberlin, Ohio.  
Ponsford, Arthur, 42 E & C Bldg., Denver, Col.  
Reass, Nathan, 27 William St., New York City.  
Reid, Wallace, East Hampton, L. I., N. Y.  
Robertson, Louis J., 41 Spruce St., New York City.  
Seaman, Halleck W., 512 Fifth Ave., Clinton, Iowa.  
Snively, T. R., Pennington Gap, Va.  
Sogo, S., Japanese Government Railways, Tokyo, Japan.  
Staats, C. R., Cassella Correo, 152 Asuncion, Paraguay.  
Steger, Chris G., Steger Bldg., Chicago, Ill.  
Storck, John, 415 West 156th St., New York City.  
Strohmeyer, George W., 278 East Water St., Milwaukee, Wis.  
Sullivan, Roger C., 122 S. Michigan Ave., Chicago, Ill.  
Thomas, Paul E., Kempsmith Mfg. Co., Milwaukee, Wis.  
Thompson, William O., 65 Broadway, New York City.  
Topliff, Samuel, 35 N. Dearborn St., Chicago, Ill.  
Vandenhook, Charles, Bozeman, Mont.



Wanamaker, John, City Hall Square, Philadelphia, Pa.  
Warn, C. E., 110 Market St., San Francisco, Calif.  
Whitaker, Lewis R., 45 East 17th St., New York City.  
Woodworth, L. D., 55 Liberty St., New York City.

New York University School of Commerce, Accounts, and Finance has established a course in merchant marine administration and operation.

The Municipal Reference Library of New York City (512 Municipal Bldg.) has recently begun a series of special reports on civic subjects with reference chiefly to the interests of New York City.

The estate of C. B. Fillebrown (77 Summer St., Boston) announces willingness to supply the pamphlets on single tax by Mr. Fillebrown for the use of students and universities.

From the estate of the late Judge William M. Chase of Concord, New Hampshire, the library of Dartmouth College has received a very complete collection of annual reports and pamphlets relating to the early history of railroads in northern New England.

The tenth annual summary of new labor laws has been issued by the American Association for Labor Legislation in its quarterly *Review* for September, 1918.

Since the preparation of the lists of new books the following have been received:

E. B. Benjamin, *The Larger Liberalism* (Cambridge University Press).

J. H. Cohen, *Commercial Arbitration and the Law* (Appleton).

R. T. Ely, *The World War and Leadership in a Democracy* (Macmillan).

A. B. Gilbert, *American Cities. Their Methods of Business* (Macmillan).

F. D. Jones and E. K. Hammond, *Shop Management and System* (Industrial Press).

E. W. Kemmerer, *The A B C of the Federal Reserve System* (Princeton University Press).

A. Lanzillo, *La disfatta del Socialismo* (La Libreria della Voce).

E. E. Lincoln, *The Results of Municipal Electric Lighting in Massachusetts* (Houghton Mifflin).

W. H. Mallock, *Capital, War and Wages* (Blackie).

E. Pulsford, *Commerce and the Empire* (King).

J. M. Robertson, *The Economics of Progress* (Dutton).

J. H. Tufts, *The Ethics of Coöperation* (Houghton Mifflin).  
Van Doren, *Workmen's Compensation and Insurance* (Moffat, Yard).  
Villard and Willoughby, *The Canadian Budgetary System* (Appleton).

*Appointments and Resignations*

Mr. Forrest L. Appleby, manager of the foreign exchange department of the New York branch of the Union Bank of Canada, has been appointed lecturer on foreign exchange in the Wall Street Division of New York University School of Commerce.

Professor William A. Barber, of New York University, is engaged in the Price Section of the Division of Planning and Statistics, War Industries Board. He holds the office of business manager and has charge of the editorial work in connection with the Book of Price Charts. He continues to give lectures at New York University.

Professor Roy C. Blakey, of the University of Minnesota, is with the Bureau of Research, War Trade Board, Washington.

Dr. Solomon Blum, formerly professor of economics at Colorado College, has been permanently appointed associate professor of economics at the University of California.

Professor Ernest L. Bogart, of the University of Illinois, is connected with the Bureau of Research of the War Trade Board at Washington.

Professor Albert S. Bolles has retired from his duties at Haverford College and is making his residence at Bennington, Vermont.

Dr. William M. Brittain, secretary of the American Steamship Association, has been appointed lecturer on merchant marine administration and operation at New York University School of Commerce, Accounts, and Finance.

Professor Paul T. Cherington has leave of absence from Harvard University and is engaged in the Commodities Section of the United States Shipping Board at Washington.

Professor M. T. Copeland, of Harvard University, is on leave of absence acting as secretary of the Conservation Division of the War Industries Board at Washington.

Mr. A. B. Cox, formerly assistant in economics in the University of Texas, has been appointed research assistant to Dr. Ely at the University of Wisconsin, to investigate land problems in northern Wisconsin.

Dr. Ira B. Cross, associate professor of economics at the University of California, has been put in charge of the employment management course at that university conducted under the auspices of the Employment Management Division of the War Industries Board. He has also been made acting dean of the College of Commerce during the absence of Professor Henry R. Hatfield.

Professor S. A. Cudmore, of the University of Toronto, spent the greater part of the past summer at the Dominion Bureau of Statistics, Ottawa, assisting in the reorganization of the Canadian statistical system.

Prof. William J. Cunningham has leave of absence from Harvard University and is manager of the Operating Statistics Section, Division of Operation, of the United States Railroad Administration.

Dr. Stuart Daggett, professor of economics at the University of California, is on leave of absence for the first term and is serving as assistant to Professor Hatfield in the War Industries Board at Washington.

Mr. S. H. DeVault, research assistant in agricultural economics at the Massachusetts Agricultural College, has been appointed to assist in the establishment of community markets in Massachusetts and is to work with the Federal Emergency District Demonstration agents and the State Food Administration.

Professor Carroll W. Doten, of the Massachusetts Institute of Technology, has joined the Central Bureau of Planning and Statistics of the War Industries Board at Washington.

Professor G. P. Eckels is in charge of the accounting department at the University of Pittsburgh School of Economics during the absence of Professor Flocken.

Dr. R. T. Ely, of the University of Wisconsin, has been appointed economic adviser for the Study of Methods of Americanization, Carnegie Foundation.

Mr. Henry Hallowell Farquhar has been appointed instructor in factory management at Harvard University Graduate School of Business Administration.

Professor Ira G. Flocken, professor of accounting, School of Economics of the University of Pittsburgh, has a year's leave of absence for the purpose of undertaking special taxation accounting work.

Mr. Major V. Foster, secretary of the School of Commerce and as-

sistant professor of economics in New York University, has given up his administrative work to become assistant to the chairman of the board of directors of the Federal Reserve Bank of New York. He continues to lecture at the university.

Professor David Friday is on leave of absence from New York University and is employed by the Post Office Department at Washington to study the question of fair rates for the telephone and telegraph system of the United States.

Dr. Edgar S. Furniss, formerly instructor in economics at Yale University, has been appointed professor of political economy in Carleton College, Minnesota.

Professor Henry B. Gardner, of Brown University, is acting as chairman of the Federal Community Labor Board for the Providence district.

Professor William R. Gray, of Dartmouth College, has been placed in charge of the Bureau of Accounts of the Committee on Education and Special Training of the War Department, which has supervision over the Student Army Training Corps in the colleges and universities.

Mr. G. F. Hamilton is acting as instructor in accounting at Brown University. Mr. Hamilton was formerly instructor in accounting at New York University.

Mr. L. G. Harriman, of the Guaranty Trust Company of New York, has been appointed lecturer on railroad bonds in the Wall Street Division of the New York University School of Commerce.

Professor Henry R. Hatfield, dean of the College of Commerce of the University of California, is on war leave and is serving as director of the Division of Planning and Statistics of the War Industries Board in Washington.

Dr. J. T. Holdsworth, for the past nine years dean of the School of Economics at the University of Pittsburgh, has been elected vice president of the Bank of Pittsburgh. He has charge of a special department concerned with the development of trade and bankers' acceptances and the financing of foreign trade.

Dr. G. G. Huebner, of the Wharton School, University of Pennsylvania, is assisting in the grain exchange investigation of the Federal Trade Commission.

Professor Lincoln Hutchinson, of the University of California, is on leave of absence and is acting as tin expert for the War Industries Board.

Mr. J. Hugh Jackson, formerly assistant professor of commerce in the University of Oregon and on leave at Harvard University during 1917-1918, has been elected assistant professor of accounting in the University of Minnesota.

Professor Jeremiah W. Jenks, of New York University, was assistant to the chairman, Aircraft Production Board, on labor questions from June, 1917, to January, 1918. From January, 1918, to August, 1918, he was engaged on a special mission to Nicaragua as umpire of the Nicaraguan High Commission on appointment of the Department of State, in connection with the financial and monetary rehabilitation of Nicaragua. Since August, 1918, he has been working with the Department of State on similar financial problems.

Professor Eliot Jones, of Leland Stanford Junior University, is with the Central Bureau of Planning and Statistics, War Industries Board, at Washington.

Mr. Montfort Jones, instructor in finance at the School of Economics of the University of Pittsburgh, has been promoted to assistant professor of finance.

Professor W. S. Krebs, of Washington University, was in charge of the money and banking courses at the University of Michigan during the summer session.

Mr. Don D. Lescossier, who was previously superintendent of the Employment Office of the Minnesota Commission of Public Safety, has been appointed associate professor of economics in the University of Wisconsin. He will devote his time especially to the study of the problems of Americanization.

Dr. Edmund E. Lincoln, of Harvard University, has been serving as the expert in charge of the 1917 federal census of central electric light and power stations in the United States and is at present engaged in compiling the fourth quinquennial report on this industry.

Mr. Fred R. Macaulay, instructor in economics at the University of California, is on war leave as district statistician of the Emergency Fleet Corporation with headquarters in San Francisco.

Mr. H. C. McCarthy, formerly examiner with the Bureau of Corporations and now lecturer in marketing at Harvard University, is examiner in charge of the farm operating equipment investigation being conducted by the Federal Trade Commission.

Professor R. M. MacIver, of the University of Toronto, has been

appointed a member of the Labour Sub-Committee of the Reconstruction and Development Committee of the Cabinet of the Dominion of Canada.

Mr. Harrison McJohnston, of the University of Illinois, has taken a position in the department of journalism at the University of Ohio.

Professor H. C. Metcalf has leave of absence from Tufts College and is directing government war emergency courses in employment management. He assisted in the Columbia course in the summer, directed a course at the Carnegie Institute of Technology in Pittsburgh, and is now conducting a course in coöperation with Dr. Beard at the Bureau of Municipal Research in New York City.

Dr. Charles W. Mixter has been appointed assistant professor in economics at Clark College.

Assistant Professor Bruce D. Mudgett, of the University of Washington, is on leave of absence and is doing work under the War Trade Board at Washington.

Miss Mabel Newcomer has been appointed instructor in economics at Vassar College.

Mrs. Carleton H. Parker has been appointed assistant in social economics at the University of California.

Professor Maurice Parmelee, recently of the City College of New York, has been in London since April acting as representative for the United States War Trade Board on various international committees. He has been elected chairman of the Allied Rationing and Statistical Committee.

Dr. Selig Perlman is giving a course at the University of Wisconsin on social movements in Russia.

Miss Mary E. Pike has been appointed assistant in economics at Vassar College.

Dr. Carl C. Plehn, of the University of California, is actively co-operating with the State Council of Defense of California in connection with taxation and public finance matters.

Mr. J. O. Rankin has joined the department of rural economics at the University of Nebraska.

Professor Robert J. Ray has been made dean of Olivet College.

Professor William Z. Ripley, of Harvard University, has been serving as administrator of labor standards for army clothing in the

War Department. The functions of this office are to inspect all premises in which contracts are let for clothing or equipage and to adjust all disputes in this field which interfere with production, whether or not arising directly under contractual provisions.

Miss Sophie Roever has been appointed instructor in the department of sociology of Washington University.

Professor C. O. Ruggles, of Ohio State University, is serving as special expert in the Division of Transportation of the United States Shipping Board in Washington.

Dr. I. M. Rubinow, formerly director of the Bureau of Social Statistics of the New York Department of Public Charities, is engaged in the grain exchange investigation of the Federal Trade Commission.

Professor Martin J. Shugrue, of the Massachusetts Institute of Technology, is engaged with the Contract Accounts Division in the Collegiate Section of the Committee on Educational and Special Training under the War Department, being stationed for the present at Washington.

Mr. Nathaniel F. Silsbee has resigned his position as instructor in accounting and administration at Simmons College to serve in the aviation section of the Signal Corps.

Mr. C. C. Staehling, assistant professor of accounting at the University of California, has been made supervisor of personnel and instruction in commercial courses given under the direction of the Extension Division of that University.

Dr. W. H. S. Stevens, special expert of the Federal Trade Commission, has been assigned as assistant chief economist in charge of the grain exchange and farm operating equipment investigations. Dr. Stevens will lecture during the ensuing year at the Baltimore Y. M. C. A. School of Business on business organization, corporation finance, and insurance.

Mr. Walter M. Stone has been appointed superintendent of the special library of the Graduate School of Business Administration at Harvard University and also instructor in office organization and devices.

Mr. Donald R. Taft has been promoted to an assistant professorship at Ohio State University.

Dr. Harry R. Tosdal, of Boston University School of Business, is lecturing on economics at Harvard University.



Mr. Floyd L. Vaughan, formerly instructor at the University of Wisconsin, is doing work on the grain exchange investigation of the Federal Trade Commission.

Professor Henry F. Walradt, of Ohio State University, is on leave of absence and is serving as trade expert on countries with the War Trade Board in Washington.

Dr. G. P. Watkins, formerly assistant statistician of the New York Public Service Commission for the First District, is serving under the Federal Trade Commission in the grain exchange investigation.

Professor Edward Wiest has resigned his position at the University of Vermont and is professor of economics and head of the department of economics and sociology at the University of Kentucky.

Mr. Otto F. Wilkinson, instructor in agricultural economics at the Massachusetts Agricultural College, has resigned to take up work in marketing under the State Food Administration of Ohio.

Mr. J. H. Williams has been appointed instructor in economics at Harvard University.

Dr. C. C. Williamson has been reappointed chief of the economics division of the New York Public Library. As reorganized, this division includes the former division of public documents and covers also the fields of theoretical and applied economics and sociology as well as politics and government. The division has a large staff of skilled librarians and bibliographers, many of whom have had special training in the social sciences.

Mr. James Willing has been appointed lecturer in accounting at Harvard University Graduate School of Business Administration.

Professor F. E. Wolfe, of Ohio Wesleyan University, has been granted leave of absence to engage in investigations in the field of labor in the Industrial Relations Division of the Emergency Fleet Corporation of the United States Shipping Board.

Professor A. B. Wright, professor of political science, has been appointed acting dean of Pittsburgh University School of Economics.

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